



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Edgewood

For the period January 1, 2023 through December 31, 2023

Published November 14, 2024

Report No. 1035961



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**Office of the Washington State Auditor
Pat McCarthy**

November 14, 2024

Mayor and City Council
City of Edgewood
Edgewood, Washington

Report on Financial Statements

Please find attached our report on the City of Edgewood's financial statements.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Edgewood January 1, 2023 through December 31, 2023

Mayor and City Council
City of Edgewood
Edgewood, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Edgewood, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 5, 2024.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 5, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Edgewood January 1, 2023 through December 31, 2023

Mayor and City Council
City of Edgewood
Edgewood, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Edgewood, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Edgewood, and its changes in cash and investments, for the year ended December 31, 2023, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Edgewood, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2024 on our consideration of the City's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

November 5, 2024

FINANCIAL SECTION

City of Edgewood January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023
Notes to Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023

City of Edgewood
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | Total for All Funds (Memo Only) | 001 Current Expense Fund | 101 Street Fund | 110 Park Impact Fee |
|---|--------------------------------|--|-------------------------------------|------------------------|--------------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 19,085,924 | 7,530,614 | 345,105 | 229,482 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | 6,627,624 | 6,039,779 | 10,474 | - |
| 320 | Licenses and Permits | 518,188 | 517,438 | 750 | - |
| 330 | Intergovernmental Revenues | 937,277 | 399,151 | 267,894 | - |
| 340 | Charges for Goods and Services | 3,204,922 | 523,674 | - | 145,476 |
| 350 | Fines and Penalties | 589,659 | 570,272 | - | - |
| 360 | Miscellaneous Revenues | 1,418,720 | 352,759 | - | 42,584 |
| Total Revenues: | | 13,296,390 | 8,403,073 | 279,118 | 188,060 |
| Expenditures | | | | | |
| 510 | General Government | 2,417,821 | 2,417,821 | - | - |
| 520 | Public Safety | 3,423,563 | 3,423,563 | - | - |
| 530 | Utilities | 1,334,269 | - | - | - |
| 540 | Transportation | 1,287,888 | - | 1,287,888 | - |
| 550 | Natural/Economic Environment | 2,709,880 | 2,709,880 | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | 784,547 | 784,547 | - | - |
| Total Expenditures: | | 11,957,968 | 9,335,811 | 1,287,888 | - |
| Excess (Deficiency) Revenues over Expenditures: | | 1,338,422 | (932,738) | (1,008,770) | 188,060 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 3,603,969 | 10,992 | 663,663 | 1,018,123 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 32,716 | 32,716 | - | - |
| Total Other Increases in Fund Resources: | | 3,636,685 | 43,708 | 663,663 | 1,018,123 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | 1,201,786 | 61,122 | - | - |
| 591-593, 599 | Debt Service | 1,043,959 | 32,094 | - | - |
| 597 | Transfers-Out | 3,603,968 | 404,654 | - | 110,462 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | 91,141 | 91,141 | - | - |
| Total Other Decreases in Fund Resources: | | 5,940,854 | 589,011 | - | 110,462 |
| Increase (Decrease) in Cash and Investments: | | (965,747) | (1,478,041) | (345,107) | 1,095,721 |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 9,530,629 | 1,430,044 | - | 1,325,202 |
| 50841 | Committed | 2,860,638 | 1,355,734 | - | - |
| 50851 | Assigned | 2,711,823 | 249,710 | - | - |
| 50891 | Unassigned | 3,017,087 | 3,017,087 | - | - |
| Total Ending Cash and Investments | | 18,120,177 | 6,052,575 | - | 1,325,202 |

The accompanying notes are an integral part of this statement.

City of Edgewood
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 111 Traffic Impact Fee | 130 Municipal Capital Reserver REET1 | 132 Municipal Capital Reserver REET | 201 Debt Service |
|---|--------------------------------|-----------------------------------|---|--|-----------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 3,361,872 | 842,428 | 1,017,848 | 360 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | 288,686 | 288,685 | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | - |
| 340 | Charges for Goods and Services | 557,506 | - | - | - |
| 350 | Fines and Penalties | - | - | - | - |
| 360 | Miscellaneous Revenues | 158,879 | 26,087 | 32,754 | - |
| Total Revenues: | | 716,385 | 314,773 | 321,439 | - |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | - | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | - | - | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 716,385 | 314,773 | 321,439 | - |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | 1,047,142 | 72,459 | - | 381,059 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | 1,047,142 | 72,459 | - | 381,059 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | - | - |
| 591-593, 599 | Debt Service | - | - | - | 381,419 |
| 597 | Transfers-Out | 181,119 | 417,842 | 320,000 | - |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 181,119 | 417,842 | 320,000 | 381,419 |
| Increase (Decrease) in Cash and Investments: | | 1,582,408 | (30,610) | 1,439 | (360) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | 4,944,279 | 811,817 | 1,019,287 | - |
| 50841 | Committed | - | - | - | - |
| 50851 | Assigned | - | - | - | - |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 4,944,279 | 811,817 | 1,019,287 | - |

The accompanying notes are an integral part of this statement.

City of Edgewood
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 202 LID Debt Service | 203 LID Debt Service Reserve Fund | 310 Capital Parks Fund | 340 Capital Roads Fund |
|---|--------------------------------|-------------------------|---|---------------------------|---------------------------|
| Beginning Cash and Investments | | | | | |
| 308 | Beginning Cash and Investments | 789,727 | 614,806 | 1,038,121 | 1,264,194 |
| 388 / 588 | Net Adjustments | - | - | - | - |
| Revenues | | | | | |
| 310 | Taxes | - | - | - | - |
| 320 | Licenses and Permits | - | - | - | - |
| 330 | Intergovernmental Revenues | - | - | - | 210,675 |
| 340 | Charges for Goods and Services | - | - | - | - |
| 350 | Fines and Penalties | 19,387 | - | - | - |
| 360 | Miscellaneous Revenues | 651,348 | - | 34,106 | 30,000 |
| Total Revenues: | | 670,735 | - | 34,106 | 240,675 |
| Expenditures | | | | | |
| 510 | General Government | - | - | - | - |
| 520 | Public Safety | - | - | - | - |
| 530 | Utilities | 6,461 | - | - | - |
| 540 | Transportation | - | - | - | - |
| 550 | Natural/Economic Environment | - | - | - | - |
| 560 | Social Services | - | - | - | - |
| 570 | Culture and Recreation | - | - | - | - |
| Total Expenditures: | | 6,461 | - | - | - |
| Excess (Deficiency) Revenues over Expenditures: | | 664,274 | - | 34,106 | 240,675 |
| Other Increases in Fund Resources | | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - | - |
| 397 | Transfers-In | - | - | 110,462 | 230,069 |
| 385 | Special or Extraordinary Items | - | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - | - |
| Total Other Increases in Fund Resources: | | - | - | 110,462 | 230,069 |
| Other Decreases in Fund Resources | | | | | |
| 594-595 | Capital Expenditures | - | - | 144,567 | 601,855 |
| 591-593, 599 | Debt Service | 616,962 | - | - | 13,484 |
| 597 | Transfers-Out | - | - | 1,038,123 | 1,119,600 |
| 585 | Special or Extraordinary Items | - | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - | - |
| Total Other Decreases in Fund Resources: | | 616,962 | - | 1,182,690 | 1,734,939 |
| Increase (Decrease) in Cash and Investments: | | 47,312 | - | (1,038,122) | (1,264,195) |
| Ending Cash and Investments | | | | | |
| 50821 | Nonspendable | - | - | - | - |
| 50831 | Restricted | - | - | - | - |
| 50841 | Committed | 837,037 | 614,806 | - | - |
| 50851 | Assigned | - | - | - | - |
| 50891 | Unassigned | - | - | - | - |
| Total Ending Cash and Investments | | 837,037 | 614,806 | - | - |

The accompanying notes are an integral part of this statement.

City of Edgewood
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | 401 Sewer Utility Fund | 410 Surface Water Utility Fund | 501 Equipment Replacement Fund |
|---|--------------------------------|-----------------------------------|---|---|
| Beginning Cash and Investments | | | | |
| 308 | Beginning Cash and Investments | 539,572 | 1,458,434 | 53,361 |
| 388 / 588 | Net Adjustments | - | - | - |
| Revenues | | | | |
| 310 | Taxes | - | - | - |
| 320 | Licenses and Permits | - | - | - |
| 330 | Intergovernmental Revenues | - | 59,557 | - |
| 340 | Charges for Goods and Services | 168,274 | 1,809,992 | - |
| 350 | Fines and Penalties | - | - | - |
| 360 | Miscellaneous Revenues | 22,896 | 56,221 | 11,086 |
| Total Revenues: | | 191,170 | 1,925,770 | 11,086 |
| Expenditures | | | | |
| 510 | General Government | - | - | - |
| 520 | Public Safety | - | - | - |
| 530 | Utilities | 6,482 | 1,321,326 | - |
| 540 | Transportation | - | - | - |
| 550 | Natural/Economic Environment | - | - | - |
| 560 | Social Services | - | - | - |
| 570 | Culture and Recreation | - | - | - |
| Total Expenditures: | | 6,482 | 1,321,326 | - |
| Excess (Deficiency) Revenues over Expenditures: | | 184,688 | 604,444 | 11,086 |
| Other Increases in Fund Resources | | | | |
| 391-393, 596 | Debt Proceeds | - | - | - |
| 397 | Transfers-In | - | 20,000 | 50,000 |
| 385 | Special or Extraordinary Items | - | - | - |
| 381, 382, 389, 395, 398 | Other Resources | - | - | - |
| Total Other Increases in Fund Resources: | | - | 20,000 | 50,000 |
| Other Decreases in Fund Resources | | | | |
| 594-595 | Capital Expenditures | 11,622 | 321,235 | 61,385 |
| 591-593, 599 | Debt Service | - | - | - |
| 597 | Transfers-Out | 123 | 12,045 | - |
| 585 | Special or Extraordinary Items | - | - | - |
| 581, 582, 589 | Other Uses | - | - | - |
| Total Other Decreases in Fund Resources: | | 11,745 | 333,280 | 61,385 |
| Increase (Decrease) in Cash and Investments: | | 172,943 | 291,164 | (299) |
| Ending Cash and Investments | | | | |
| 50821 | Nonspendable | - | - | - |
| 50831 | Restricted | - | - | - |
| 50841 | Committed | - | - | 53,061 |
| 50851 | Assigned | 712,515 | 1,749,598 | - |
| 50891 | Unassigned | - | - | - |
| Total Ending Cash and Investments | | 712,515 | 1,749,598 | 53,061 |

The accompanying notes are an integral part of this statement.

City of Edgewood
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

| | | Total for All Funds (Memo Only) | Custodial |
|-----------|--|--|------------------|
| 308 | Beginning Cash and Investments | 347,367 | 347,367 |
| 388 & 588 | Net Adjustments | - | - |
| 310-390 | Additions | 4,730 | 4,730 |
| 510-590 | Deductions | 15,204 | 15,204 |
| | Net Increase (Decrease) in Cash and Investments: | (10,474) | (10,474) |
| 508 | Ending Cash and Investments | 336,893 | 336,893 |

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For year ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The City of Edgewood was incorporated on February 28, 1996, and operates under the laws of the state of Washington applicable to a code city. The City is a general purpose government and provides law enforcement, emergency management, community planning, economic development, street, sewer and surface water maintenance and improvements, parks, and general administrative services. Many services are provided through contract or interlocal agency agreements. Since incorporation, the City has received Public Works, Court, Jail, Emergency Management, and Law Enforcement services from Pierce County. The City supplements these services through various long-term private contracts generally bid every three years. East Pierce Fire & Rescue provides Fire Suppression, Education, and Inspection as well as Emergency Medical Services. The City is a member of Pierce County Metro services providing animal control through the Sumner Police Department on a membership consortium basis. The City manages its solid waste management plan through an interlocal agreement with Pierce County in which Murrey's Waste Management is identified as the local service provider.

The City of Edgewood reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information disclosed in these financial statement notes.
- Supplementary information required by GAAP is not presented.
- Ending balances may be presented differently than the classifications defined in GAAP.

A. Fund Accounting

The accounts of the City are organized based on funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. Three managerial funds, 004 Development Activity, 005 Strategic Reserves and 006 Assignments are listed separately in the adoption of the budget. All three funds are combined with General Fund (Fund 001) on financial reports. 004 Development Activity fund balance reflects only development cost, 005 Strategic Reserve fund balance is listed separately as committed and the 006 Assignment fund as assigned for financial presentation.

The following are the fund types used by the City:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Funds

This fund is the primary operating fund of the City. It accounts for all financial resources except those required by law or elected to be accounted for in another fund. The City utilizes a General Fund Management fund which represents the committed by local government action (requires specific council action to expend) and as such is rolled into the General Fund Balance as the committed portion of the General Fund for reporting purposes. The City also uses a management fund for assignments which is also rolled into the General Fund Balance as the assigned portion of the General Fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus directed under the Washington State Budget, Accounting, and Reporting System (BARS) for Cities. Revenues are

recognized when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

All restricted revenues are booked directly to the appropriate fund (street, surface water, etc.).

In accordance with state law the City also recognizes expenditures paid twenty days after the close of the fiscal year for claims incurred during the previous period. These expenditures are classified as thirteenth period expenditures and are so designated in the financial statements. The City generally accomplishes this with two period 13 claims account distributions in January, which are identified in the City Council Packet as such.

Citywide (not fund specific) expenditures for labor, benefits, goods, and services are initially charged to Central Services, a segregated cost center within the General Fund, and then allocated to all funds and cost centers within funds to reflect their allocated share of said costs. This system allows management and accounting the ability to examine and balance labor, benefit, and large service provider expenditures in total while capturing the fully absorbed cost of each activity in the proper fund/cost center. Allocations are based upon personnel deployment. Costs of a direct nature are charged to their fund/cost center directly (election, law enforcement contract costs, specialized specific contract services, etc.)

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Purchases of capital assets are expensed in the year of acquisition. There is no capitalization of assets, nor allocation of depreciation expense. Inventory is expensed when purchased. City assets generally above a dollar cost or useful life threshold identified in the Internal Administrative and Accounting Control (IAAC) manual are tracked in spreadsheets, including small and attractive assets issued directly to employees. This is done to ensure adequate controls against theft or misappropriation and to assist in budgeting for timely replacement or repair. This activity is extraneous to the financial statements.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours. Compensatory time can be accrued only up to 40 hours. Compensatory time is accrued at the rate of 1.5 hours per hour worked. Unused balances for both vacation and compensatory time are paid upon separation or retirement. Payments are recognized as expenditures when paid. Sick leave may be accumulated indefinitely. However, any unused sick leave balance is not paid upon separation or retirement.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

G. Non-spendable, Restricted, Committed and Assigned Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as non-spendable when they are held in trust on behalf of non-City entity, restricted when they are subject to legislated restrictions for use by either Federal or State Government Legislative Regulation, committed when the local government has “ear-marked” the funds for a specific use but not otherwise restricted, or assigned when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the City intends to use restricted resources first before using unassigned amounts.

- 001 General Fund is the primary operating fund of the government. General Fund balance at year end was \$6,052,575. Of the total amount, the government reported \$1,430,044 in unearned revenue and anticipated recognizing these funds as revenue in next two years; \$1,355,734 committed strategic fund balance; \$249,710 assigned fund balance; and \$3,017,087 is unassigned balance which is available to fund ongoing activities.
- 005 Strategic Reserve Fund and 006 Assigned Fund are internal Management Funds. The Fund balance in Strategic Reserve Fund represents transfers from the General Fund as a commitment by the City Council for emergency and/or other longer term operating and capital reserves. These monies may be expended by resolution of the City Council. The Fund balance in Assigned Fund represents funds assigned by third parties to secure the performance of specific actions required by the city and may be utilized by the city in the event the performance required is not met. For reporting purposes, the Strategic Reserve and Assigned Fund Balances are combined with General Fund.
- 101 Street Fund funds are unexpended monies collected by the State and represent payment in-lieu of construction and gas taxes. They are used for City road, pedestrian and intermodal infrastructure maintenance and improvements. Unexpended General Fund Transfers, while not technically restricted in origin, are combined, and listed as restricted for future street fund use by council action during budget appropriation.
- 110 Park Impact Fees (\$1,325,202) balance represents unspent monies collected as a development permitting requirement to maintain concurrency of park access as population increases. Expenditures are restricted for park acquisition and improvements outlined in the City’s Capital Improvement Plan for increasing capacity and must be expended on a legislated timeline. In 2023, ending fund balance increased due to a correction for the previous year’s budgeted capital expenditures. In the past, all the budgeted capital expenditures from Park Impact Fee funds were transferred to capital funds. But some of the budgeted capital projects were either delayed or cancelled for various reasons. The unspent funds from capital funds were transferred back to source funds and ending balance in capital funds were cleared to zero.
- 111 Traffic Impact Fees (\$4,944,279) are collected on a concurrency basis as a development permitting requirement to pay for projects identified in the City’s Capital Improvement and Transportation Improvement Plan. Traffic Impact Fees are restricted in use to maintain or increase traffic capacity because of new developments and must be expended on a legislated timeline. The ending fund balance increased due to the reason described above in Park Impact Fee fund.
- 130 REET1 (\$811,817) and 132 REET2 (\$1,019,287) represent unexpended monies generated by real estate excise taxes collected by the County for sales of real property within the jurisdictional boundaries of the City. The Growth Management Act (GMA) restricts projects funded from REET1 and REET2 to those capital projects outlined in the City’s Capital Improvement Plan for specific purposes. The City uses the majority of REET1 to retire the City Hall Civic Center debt and the majority of REET2 to extend the useful life of city infrastructures for road preservation and surface water mitigation. Other uses include replacement or new construction of city facilities and infrastructure.

- 201 Debt Service Fund represents unexpended monies used to retire scheduled debt and make annual interest payments for General Government real property.
- 202 Debt Service Fund (\$837,037) is the unexpended portion of the collection of a 20-year LID assessment against parcels serviced by a sanitary sewer constructed in 2011. Debt Note 5 includes LID No. 1 debt service schedule.
- 203 Debt Service Reserve Fund (\$614,806) represents a Pacific Premier loan covenant requirement imposing the establishment and annual funding of a debt reserve to cover unanticipated individual assessment defaults over the life of the loan. This is a safety net loan provision common to LID financing vehicles.
- 310 Capital Parks Fund is used for capital parks projects, primarily funded by grant dollars, Park Impact Fees, REET, or the General Fund as identified in the City's Capital Improvement Plan. Fund transfers occur from the revenue origination fund to the capital project funds (parks, road, and surface water) when the Capital Improvement Plan and current year public works expended the appropriation. Timelines are challenging due to third party vendor, weather, and City of Edgewood personnel availability. The City maintains a FIFO (first in first out) Fund analysis extraneous to these financial statements to show the flow from the revenue origination fund to the capital fund to ensure restricted uses are monitored and in compliance and that funds are expended within legislated mandated timelines (impact fees).
- 340 Capital Roads Fund is used for capital roads projects, primarily funded by Grant awards, Park Impact Fees, REET 2, or the General Fund as identified in the City's Capital Improvement Plan. Fund transfers occur from the revenue origination fund to the capital project funds (parks, road and surface water) when the Capital Improvement Plan and current year public works expended the appropriation. Timelines are challenging due to third party vendors, weather, and City of Edgewood personnel availability. The City maintains a FIFO (first in first out) Fund analysis extraneous to these financial statements to show the flow from the revenue origination fund to the capital fund to ensure restricted uses are monitored and in compliance and that funds are expended within legislated mandated timelines (impact fees).
- 401 Sewer Utility Fund (\$627,515) is used to support the operations and maintenance of the respective utility. 402 Sewer Capital Fund (\$85,000) is used to track capital expenditures. For reporting purposes Sewer Capital fund is combined with Sewer Utility fund. General Fund transfers to these restricted funds are considered assigned and identified as such in the financial statements. The City has not experienced a year wherein any "claw back" of contributed General Funds to its Enterprise Funds have occurred.
- 410 Surface Water Fund (\$1,718,029) is used to support the operations and maintenance of the respective utility. 411 Surface Water Capital Fund (31,569) is used to track capital projects wherein surface water fees, REET and grant revenues may be combined for large projects that may span more than one fiscal year. This allows the city to transparently express fund balances that differentiate between operating and capital only revenues. For reporting purposes, Surface Water Capital fund is combined with Surface Water fund. General Fund transfers to these restricted funds are considered assigned and identified as such in the financial statements.
- 501 Equipment Replacement Fund (\$53,061) Funds collected represent an internal commitment for replacing or purchasing capital equipment set aside from the General Fund.

H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of operating transfers-in and transfers-out and Interfund loans where appropriate and approved through ordinance or resolution of the City Council. The City appropriated \$3,603,969 in transferred funds for 2023. It is common the authorized transfers for expenditures on capital projects are not made in the current year if the project start is delayed due to staffing, materials, or contractor availability. The city endeavors to keep restricted revenues such a REET and Impact Fee revenue in the source fund until the year it will be substantially expended.

I. Health and Welfare

The City of Edgewood is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents, and other beneficiaries through a designated account within the Trust.

As of December 31, 2023, 264 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuri's Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuri's and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate

that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW, and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 2 – Budget Compliance

A. Budgets

The City adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

| Fund | Final Appropriated Budget | Actual Expenditures | Variance |
|--------------------------------|--------------------------------------|----------------------------|---------------------|
| 001 General Fund | 15,128,989 | 9,924,822 | 5,204,167 |
| 005 Strategic Reserve Fund | 1,600,473 | - | 1,600,473 |
| 101 Street Fund | 1,551,420 | 1,287,886 | 263,534 |
| 110 Park Impact Fund | 860,000 | 110,462 | 749,538 |
| 111 Traffic Impact Fee Fund | 4,599,854 | 181,119 | 4,418,735 |
| 130 REET 1 Fund | 850,000 | 417,842 | 432,158 |
| 132 REET 2 Fund | 850,000 | 320,000 | 530,000 |
| 201 Debt Service F Gov. Fund | 394,736 | 381,419 | 13,317 |
| 202 Debt Service Fund LID | 1,543,346 | 623,424 | 919,922 |
| 203 Debt Service Fund Res Fund | 614,806 | - | 614,806 |
| 310 Capital Park Fund | 1,130,000 | 1,182,690 | (52,690) |
| 340 Capital Road Fund | 2,000,000 | 1,734,938 | 265,062 |
| 350 TIB Fund | 1,105,000 | - | 1,105,000 |
| 401 Sewer Fund | 670,152 | 18,227 | 651,925 |
| 402 Sewer Capital Fund | 105,000 | - | 105,000 |
| 410 Surface Water Fund | 2,377,701 | 1,654,605 | 723,096 |
| 411 Surface Water Capital Fund | 710,044 | - | 710,044 |
| 501 Equipment Replacement Fund | 615,031 | 61,385 | 553,646 |
| | \$36,706,552 | \$17,898,819 | \$18,807,733 |

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect specific authorized employee positions (job descriptions) or salary ranges (annual salary schedule) must be approved by the City's legislative body.

The City budgets a Strategic Reserve Fund 005 for purposes of cash flow and unexpected emergencies. For reporting purposes, Fund 005 is an internal management fund and reported as part of Fund 001 General Fund (current expense fund) as a restricted cash balance due to internal legislative restrictions for its use.

Note 3 – Deposits and Investments

It is the City of Edgewood's policy to invest funds held long term for emergency or capital reserves. The City policy is to incur low risk to reasonably offset inflation, thereby maintaining the purchasing power of public funds. The interest on these investments is prorated to the various funds of the City.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or the Washington Public Deposit Protection Commission. All investments are insured, registered, or held by the City or its agent in the government's name.

Investments are presented as collected balances. Bonds are stated at original coupon purchase. Net gains or losses are booked upon redemption. Current US Securities are managed through US Bank Safekeeping. Investments by type on December 31, 2023, are as follows:

| Type of Deposit or Investment | City's Own Investments | Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations | Total |
|-------------------------------|------------------------|---|----------------------|
| LGIP | 16,357,189 | - | 16,357,189 |
| U.S. Government Securities | 1,319,953 | - | 1,319,953 |
| Total | \$ 17,677,142 | \$ - | \$ 17,677,142 |

Note 4 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed around the 10th of each month.

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for the year 2023 was \$.6869 per \$1,000 on an assessed valuation of \$3,250,275,786 for a total regular levy of \$2,237,893.

Note 5 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2023.

The debt service requirements for general obligation bonds, revenue bonds, special assessment bonds, and loans including both principal and interest, are as follows:

| | General Obligation Bonds | Other Debt | Total Principal Payments |
|--------------|--------------------------|---------------------|--------------------------|
| 2024 | 358,157 | 535,343 | 893,500 |
| 2025 | 366,493 | 544,015 | 910,508 |
| 2026 | 374,405 | 552,840 | 927,245 |
| 2027-2031 | - | 2,813,872 | 2,813,872 |
| 2032-2033 | - | 1,143,071 | 1,143,071 |
| Total | \$ 1,099,055 | \$ 5,589,141 | \$ 6,688,196 |

Other Debt represents annual principal and interest payments to the Public Works Trust Fund Loans and the LID No.1.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially, all the City's full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

On June 30, 2023 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

| | Employer Contributions | Allocation % | Liability (Asset) |
|---------------|-----------------------------------|---------------------|--------------------------|
| PERS 1 | \$28,214 | 0.004140% | \$94,505 |
| PERS 1 (UAAL) | \$105,862 | 0.015535% | \$354,622 |
| PERS 2/3 | \$175,889 | 0.020005% | |

Note: PERS2 has a surplus balance for 2023 and therefore no listed liability here or on Schedule 9.

Note 7– Risk Management

Risk Management

The City of Edgewood is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 169 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors, or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

All Members are provided a separate cyber risk policy and premises pollution liability coverage group purchased by WCIA. The cyber risk policy provides coverage and separate limits for security & privacy, event management, and cyber extortion, with limits up to \$1 million and subject to member deductibles, sublimits, and a \$5 million pool aggregate. Premises pollution liability provides Members with a \$2 million incident limit and \$10 million pool aggregate subject to a \$100,000 per incident Member deductible.

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$1,000,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance, and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

Note 8 – Leases

During the year ended 2022, the city adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The city leases a postage machine from Pitney Bowes for \$62.85 per month under a 5-year lease agreement.

The total amount paid for leases in 2023 was \$754. As of December 31, 2023, the future lease payments are as follows:

| Year ended December 31 | Total |
|------------------------|-------------|
| 2024 | 754.20 |
| 2025 | 754.20 |
| Total | \$ 1,508.40 |

Note 9 – SBITA

During the fiscal year ended 12/31/2023, the City adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in the addition of a subscription liability reported on the schedule of Liabilities.

The City makes subscription payments of \$31,311 and \$3,958 per year for Microsoft 365 licensing and Lenel systems respectively.

The Microsoft contract started on 4/1/2023 and ends on 3/31/2026. This SBITA contract is for 3 years and includes the option to extend the contract for another 3 years. The City intends to extend the contract. The total amount paid for SBITAs in year 2023 were \$35,269. As of December 31, 2023, the future SBITA payments are as follows:

| Year ended December 31 | Total |
|------------------------|--------|
| 2024 | 31,311 |
| 2025 | 31,311 |
| 2026 | 31,311 |
| 2027 | 31,311 |
| 2028 | 31,311 |

Note 10 - Other Disclosures

Mt. View Edgewood Water Company Franchise Agreement: The City of Edgewood has a long-term Franchise Agreement with Mt. View Edgewood Water Company, a not for profit private corporation operating in the area since the early 1940's. Mountain View supplies between 70 and 80 percent of all City of Edgewood water uses. Other water uses include Lakehaven Water & Sewer District, the City of Milton, and various other private localized well systems.

**City of Edgewood
Schedule of Liabilities
For the Year Ended December 31, 2023**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------------------|-----------------|--------------------------|------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.11 | 2007 G.O Bond | 12/1/2026 | 1,448,462 | - | 349,408 | 1,099,054 |
| 263.81 | 2013 PWTF Loan (PC-12-951-080) | 6/1/2031 | 118,682 | - | 13,187 | 105,495 |
| Total General Obligation Debt/Liabilities: | | | 1,567,144 | - | 362,595 | 1,204,549 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 259.12 | 2023 Compensated Absences | 12/31/2023 | 185,628 | 29,318 | - | 214,946 |
| 263.82 | 2008 PWTF Loan (PR08-951-083) | 6/1/2028 | 176,469 | - | 29,412 | 147,057 |
| 264.30 | Department of Retirement Systems | 12/31/2023 | 571,937 | - | 122,809 | 449,128 |
| 263.57 | Postage Machine | 12/29/2025 | 2,263 | - | 754 | 1,509 |
| 263.57 | Microsoft 365 | 3/31/2029 | - | 188,037 | 31,340 | 156,697 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 936,297 | 217,355 | 184,315 | 969,337 |
| Assessment Debt/Liabilities (with commitments) | | | | | | |
| 253.11 | 2021 Refinanced Sewer Assessment | 11/24/2033 | 5,820,785 | - | 484,362 | 5,336,423 |
| Total Assessment Debt/Liabilities (with commitments): | | | 5,820,785 | - | 484,362 | 5,336,423 |
| Total Liabilities: | | | 8,324,226 | 217,355 | 1,031,272 | 7,510,309 |

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov