



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Sumner

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

Published February 3, 2025

Report No. 1036488



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

February 3, 2025

Mayor and City Council
City of Sumner
Sumner, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sumner's financial statements and compliance with federal laws and regulations.

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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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Sumner are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-001.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

2023-001 The City did not have adequate internal controls for ensuring compliance with federal requirements for suspension and debarment.

Assistance Listing Number and Title:	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Description of Condition

The purpose of the Coronavirus State and Local Fiscal Recovery Funds is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected and make necessary investments in water, sewer or broadband infrastructure. In 2023, the City spent \$893,927 in program funds to replace its reduced revenue.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods and services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must

verify that the contractors have not been suspended, debarred or otherwise excluded from participating in federal programs. The City may verify this by obtaining a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must verify this before entering into the contract and must maintain documentation demonstrating compliance with this federal requirement.

Our audit found the City did not have adequate controls in place to verify one contractor it paid more than \$25,000 in federal funds was not suspended or debarred from participating in federal programs.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

The City's practice is to verify the status of contractors on SAM.gov and print a copy of the verification as evidence. However, the City did not retain this support in its transition from local file storage to SharePoint cloud storage.

Effect of Condition

The City did not obtain written certification from the contractor, insert a clause into the contract or check for exclusion records at SAM.gov to verify one contractor it paid \$203,135 using federal funds was not suspended or debarred before contracting. Without adequate internal controls, the City cannot ensure the contractor it paid with federal funds was eligible to participate in federal programs. Any program funds the City used to pay contractors that have been suspended or debarred would be unallowable, and the awarding agency could potentially recover them. Because we subsequently verified the contractor was not suspended or debarred, we are not questioning costs.

Recommendation

We recommend the City strengthen internal controls to ensure all contractors it pays \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs before contracting with or purchasing from them and retain evidence to support the verification.

City's Response

The City of Sumner appreciates the opportunity to respond to the Washington State Auditor's Office notification of a finding for the period ending December 31, 2023. The City of Sumner holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. Management is committed to ensuring the City's internal controls and procedures ensure compliance with all requirements governing the administration of federal grant programs.

In 2022, the City Council ARPA Committee authorized procurement of two "Portland Loo" fabricated standalone restrooms for City parks, directing staff to proceed with the acquisition. The project acquired tangible goods with no associated installation or construction services; thus the purchase was completed with a purchase order instead of a goods and services contract. Our standard contract includes a clause requiring compliance with federal suspension and debarment requirements; however, our purchase order verbiage did not include compliance requirements in the standard terms and conditions. Although staff routinely reviews SAM.gov for all federally funded activity, a SAM.gov record for this purchase was not able to be located in the project files. When this oversight was discovered, staff immediately performed the suspension/debarment check on SAM.gov, and confirmed the vendor was not suspended or debarred from federal activity.

The lack of verification records of the suspension and debarment status of this vendor was an isolated incident. The vendor fabricates the "Portland Loo" under license from the City of Portland, and is not currently, nor has been, suspended/debarred from federal contracts. Readers of this report should be reassured that the City maintains strong internal controls, and there were no questioned costs in this matter.

The City appreciates the importance the Auditor applies to the need for internal controls and proper federal procurement. The City will immediately add language to our standard purchase order referencing compliance with federal procurement, including suspension and debarment, requirements. In addition, the City will continue to emphasize and encourage training opportunities for all staff involved in projects receiving federal participation.

Auditor's Remarks

We thank the City for its cooperation and assistance during the audit and acknowledge its commitment to resolve this finding. We will review the condition during our next audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement), establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

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 Sumner January 1, 2023 through December 31, 2023

Mayor and City Council
City of Sumner
Sumner, 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 Sumner, 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 January 23, 2025.

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

January 23, 2025

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

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

Mayor and City Council
City of Sumner
Sumner, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Sumner, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-01. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023 001, that we consider to be a material weakness.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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

January 23, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Mayor and City Council
City of Sumner
Sumner, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Sumner, 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 Sumner, 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 Sumner, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule

of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are 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 January 23, 2025 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.

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Pat McCarthy, State Auditor

Olympia, WA

January 23, 2025

FINANCIAL SECTION

City of Sumner 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 the Financial Statements – 2023

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

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

		Total for All Funds (Memo Only)	001 General Fund	106 Hotel/Motel Tax	111 Miscellaneous Grant
Beginning Cash and Investments					
308	Beginning Cash and Investments	91,494,746	16,859,126	248,404	39,470
388 / 588	Net Adjustments	(609,333)	-	-	-
Revenues					
310	Taxes	17,741,840	17,013,497	154,158	-
320	Licenses and Permits	630,912	497,206	-	-
330	Intergovernmental Revenues	16,564,425	1,727,448	54,933	-
340	Charges for Goods and Services	25,962,765	1,612,595	-	-
350	Fines and Penalties	82,506	82,506	-	-
360	Miscellaneous Revenues	2,827,841	446,660	-	-
Total Revenues:		63,810,289	21,379,912	209,091	-
Expenditures					
510	General Government	6,900,862	5,240,846	-	-
520	Public Safety	5,843,526	5,778,076	-	-
530	Utilities	12,922,226	-	-	-
540	Transportation	3,606,405	2,870,735	-	-
550	Natural/Economic Environment	3,732,157	2,822,327	42,250	-
560	Social Services	306,391	306,391	-	-
570	Culture and Recreation	1,293,140	1,293,140	-	-
Total Expenditures:		34,604,707	18,311,515	42,250	-
Excess (Deficiency) Revenues over Expenditures:		29,205,582	3,068,397	166,841	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	7,374,000	-	-	-
397	Transfers-In	2,791,566	205,168	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	107,784	16,356	-	-
Total Other Increases in Fund Resources:		10,273,350	221,524	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	36,427,071	204,714	7,343	-
591-593, 599	Debt Service	1,546,694	-	-	-
597	Transfers-Out	2,791,566	2,164,040	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	1,254,422	1,186,371	-	-
Total Other Decreases in Fund Resources:		42,019,753	3,555,125	7,343	-
Increase (Decrease) in Cash and Investments:		(2,540,821)	(265,204)	159,498	-
Ending Cash and Investments					
50821	Nonspendable	1,567,126	-	-	-
50831	Restricted	11,905,137	247,084	407,902	-
50841	Committed	-	-	-	-
50851	Assigned	59,464,212	938,706	-	39,470
50891	Unassigned	15,408,365	15,408,365	-	-
Total Ending Cash and Investments		88,344,840	16,594,155	407,902	39,470

The accompanying notes are an integral part of this statement.

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

		115 ARPA Fund	200 Debt Service	221 LID Guarantee	302 Sidewalk Construction
Beginning Cash and Investments					
308	Beginning Cash and Investments	912,909	2,581,959	691,569	192,581
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	667,888
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	235,935	-	-
Total Revenues:		-	235,935	-	667,888
Expenditures					
510	General Government	9,484	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		9,484	-	-	-
Excess (Deficiency) Revenues over Expenditures:		(9,484)	235,935	-	667,888
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	52,000	-	234,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	52,000	-	234,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	24,139	-	-	63,455
591-593, 599	Debt Service	-	352,575	-	-
597	Transfers-Out	112,168	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		136,307	352,575	-	63,455
Increase (Decrease) in Cash and Investments:		(145,791)	(64,640)	-	838,433
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	767,118	2,517,321	691,569	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	1,031,015
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		767,118	2,517,321	691,569	1,031,015

The accompanying notes are an integral part of this statement.

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

		303 General Gov't CIP	305 REET Fund	310 Parks and Trails Capital Fund	320 Street Capital Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	29,161	1,023,822	2,471,202	13,051,194
388 / 588	Net Adjustments	-	-	-	(609,333)
Revenues					
310	Taxes	-	409,185	-	165,000
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	2,208,586
340	Charges for Goods and Services	-	-	3,058	109,518
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	576,738
Total Revenues:		-	409,185	3,058	3,059,842
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:		-	409,185	3,058	3,059,842
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	1,380,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	1,380,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	1,152,271	7,136,178
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	300,000	-	194,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	300,000	1,152,271	7,330,178
Increase (Decrease) in Cash and Investments:		-	109,185	230,787	(4,270,336)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,797	1,133,007	850,885	4,573,090
50841	Committed	-	-	-	-
50851	Assigned	27,364	-	1,851,105	3,598,438
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		29,161	1,133,007	2,701,990	8,171,528

The accompanying notes are an integral part of this statement.

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

		325 Facilities Capital Fund	401 Water Utility	402 Sewer Utility	403 Utility Bond Reserves
Beginning Cash and Investments					
308	Beginning Cash and Investments	18,758	17,996,446	16,984,720	1,731,342
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	6,005	8,895	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	4,795,276	9,182,786	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	816,575	334,828	-
Total Revenues:		-	5,617,856	9,526,509	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	2,841,471	6,256,818	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	2,841,471	6,256,818	-
Excess (Deficiency) Revenues over Expenditures:		-	2,776,385	3,269,691	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	7,374,000	-	-	-
397	Transfers-In	305,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		7,679,000	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	4,003,586	3,769,193	2,737,359	-
591-593, 599	Debt Service	-	352,179	841,940	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	65,695	524	-
Total Other Decreases in Fund Resources:		4,003,586	4,187,067	3,579,823	-
Increase (Decrease) in Cash and Investments:		3,675,414	(1,410,682)	(310,132)	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	435,071	280,293	-
50841	Committed	-	-	-	-
50851	Assigned	3,694,173	16,150,693	16,394,303	1,731,342
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		3,694,173	16,585,764	16,674,596	1,731,342

The accompanying notes are an integral part of this statement.

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

		408 Stormwater Utility	410 Cemetery Operating	440 Animal Control	501 Unemployment Insurance
Beginning Cash and Investments					
308	Beginning Cash and Investments	12,609,549	295,226	379	9,351
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	12,563	-	106,243	-
330	Intergovernmental Revenues	11,905,570	-	-	-
340	Charges for Goods and Services	4,979,665	506,489	821,111	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	389,547	4,509	15,336	-
Total Revenues:		17,287,345	510,998	942,690	-
Expenditures					
510	General Government	-	-	-	29,463
520	Public Safety	-	-	65,450	-
530	Utilities	3,122,528	701,409	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	867,580	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		3,122,528	701,409	933,030	29,463
Excess (Deficiency) Revenues over Expenditures:		14,164,817	(190,411)	9,660	(29,463)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	515,000	-	20,120
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	4,550	-	-	-
Total Other Increases in Fund Resources:		4,550	515,000	-	20,120
Other Decreases in Fund Resources					
594-595	Capital Expenditures	16,754,278	22,608	7,279	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	1,080	20,278	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	1,832	-	-	-
Total Other Decreases in Fund Resources:		16,757,190	42,886	7,279	-
Increase (Decrease) in Cash and Investments:		(2,587,823)	281,703	2,381	(9,343)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	10,021,726	576,927	2,758	8
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		10,021,726	576,927	2,758	8

The accompanying notes are an integral part of this statement.

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

		550 Fleet Management	551 Technology Services	555 Fleet Replacement	701 Cemetery Endowment
Beginning Cash and Investments					
308	Beginning Cash and Investments	40,887	553,264	1,610,079	1,543,348
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	749,285	1,843,280	1,359,702	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,043	3,170	-	3,500
Total Revenues:		750,328	1,846,450	1,359,702	3,500
Expenditures					
510	General Government	-	1,621,069	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	735,670	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		735,670	1,621,069	-	-
Excess (Deficiency) Revenues over Expenditures:		14,658	225,381	1,359,702	3,500
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	60,000	-	20,278
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	86,878	-	-	-
Total Other Increases in Fund Resources:		86,878	60,000	-	20,278
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	20,421	524,247	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	20,421	524,247	-
Increase (Decrease) in Cash and Investments:		101,536	264,960	835,455	23,778
Ending Cash and Investments					
50821	Nonspendable	-	-	-	1,567,126
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	142,425	818,224	2,445,535	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		142,425	818,224	2,445,535	1,567,126

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Pension/OPEB Trust Fund	Custodial
308	Beginning Cash and Investments	29,436	13,841	15,595
388 & 588	Net Adjustments	-	-	-
310-390	Additions	183,977	15,089	168,888
510-590	Deductions	177,493	16,942	160,551
	Net Increase (Decrease) in Cash and Investments:	6,484	(1,853)	8,337
508	Ending Cash and Investments	35,919	11,988	23,931

The accompanying notes are an integral part of this statement.

CITY OF SUMNER
Notes to the Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sumner was incorporated in 1891 and operates under the laws of the state of Washington applicable to an optional code city, Revised Code of Washington (RCW) 35.A and operates under Mayor/Council form of government. The City is administered by a part-time Mayor and full-time City Administrator. The City Council is comprised of seven part-time council members, all elected at large to four year terms. The City provides a range of municipal services authorized by state law, including law enforcement, municipal court, parks, cemetery, as well as water, sewer and storm sewer utilities.

The city reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is 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;
- Supplementary information required by GAAP is not presented;
- Ending balances are not presented using the classifications defined in GAAP.

a. **Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose.

Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following are the fund types used by the city.

GOVERNMENTAL FUND TYPES:

General Fund (Funds 001, 002, 003, 105, 603 and 611)

This fund is the primary operating fund of the city. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds (Funds 103, 106, 111 and 115)

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

Debt Service Funds (Funds 200 and 221)

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 (Funds 302, 303, 305, 307, 310, 320 and 325)

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

Permanent Funds (Fund 701)

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds (Funds 401, 402, 403, 408, 410, and 440)

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

Internal Service Funds (Funds 501, 550, 551 & 555)

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 city in a trustee capacity or as an agent on behalf of others.

Custodial Funds (Funds 615, 631, 635, 641 & 651)

These funds are used to account for assets that the government holds on behalf of others in a custodial capacity. Only funds 615 and 635 are reported.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only 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.

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

c. Cash and Investments

See Note 6, Deposits and Investments

d. Capital Assets

Capital assets are assets with an initial individual costs of more than \$5,000, and an estimated useful life of at least two years. Capital assets are recorded as capital expenditures when purchased.

Purchases of capital assets are expensed during the year of acquisition. The City capitalizes and depreciations assets in proprietary funds only for management purposes. Inventory is expensed when purchased.

e. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation and sick leave accumulates at various rates, depending upon date of hire, contract and City policy

Vacation pay is payable upon resignation, retirement or death. Up to 100 percent of 720 hours of outstanding sick leave is payable upon separation, retirement or death depending upon time with City and circumstances of departure.

f. Long-Term Debt

See Note 9, Long-Term Debt

g. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when subject to restrictions on use are imposed by external parties or due to internal commitments established by City Council action. When expenditures that meet restrictions are incurred, the city intends to use the most restricted assets first.

Restrictions and commitments of Ending Cash & Investments consist of:

City of Sumner
Restrictions and Commitments of Ending Cash & Investments
As of 12/31/2023

Fund	Reserved for					Total
	Debt Service	Special Revenues	Construction	Unspent Development Fees	Trusts	
001 General Fund	\$ -	\$ 67,760	\$ -	\$ 179,324	\$ -	\$ 247,084
103 Complete Streets	-	-	-	-	-	-
106 Hotel/Motel Tax	-	407,902	-	-	-	407,902
111 Miscellaneous Grants	-	-	-	-	-	-
115 ARPA Fund	-	767,118	-	-	-	767,118
200 Debt Service	2,517,321	-	-	-	-	2,517,321
221 LID Guarantee	691,569	-	-	-	-	691,569
302 Sidewalk	-	-	-	-	-	-
303 General Government Capital Asset	-	-	1,797	-	-	1,797
305 REET Fund	-	-	1,133,007	-	-	1,133,007
310 Parks & Trails Capital Fund	-	-	-	850,885	-	850,885
320 Street Capital Fund	-	-	-	4,573,090	-	4,573,090
325 Facilities Capital Fund	-	-	-	-	-	-
401 Water	-	-	435,071	-	-	435,071
402 Sewer	-	-	280,293	-	-	280,293
403 Utility Bond Reserves	-	-	-	-	-	-
408 Stormwater	-	-	-	-	-	-
410 Cemetery Operation	-	-	-	-	-	-
415 Cemetery Development	-	-	-	-	-	-
440 Animal Control	-	-	-	-	-	-
501 Unemployment Insurance	-	-	-	-	-	-
550 Fleet Operations	-	-	-	-	-	-
551 Technology Services	-	-	-	-	-	-
555 Fleet Replacement	-	-	-	-	-	-
611 Firemen's Pension	-	-	-	-	-	-
615 Section 125 Plan	-	-	-	-	11,988	11,988
635 Municipal Court Account	-	-	-	-	23,931	23,931
701 Cemetery Endowment	-	-	-	-	-	-
	\$ 3,208,890	\$ 1,242,780	\$ 1,850,168	\$ 5,603,299	\$ 35,919	\$ 11,941,056

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

For the fiscal year ending 12/31/2023, the City implemented the requirements of GASB Statement No. 96 (Subscription Based IT Arrangement (SBITA)). Upon completion of this review, the City made the appropriate reporting on Schedule 09 Long-Term Liabilities and note disclosures.

NOTE 3 – BUDGET COMPLIANCE

a. Budgets

The city adopts a biennial appropriated budget for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the end of the biennium.

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

This report covers the first year of the 2023/2024 biennial budget. The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund		Through Ord 2874 Mid-Biennial Amendment		2023	2023/2024 Actuals	Variance	Note
		2023/2024 Adopted Budget	2023/2024 Revised Budget				
001	General Fund	\$ 40,975,513	\$ 43,308,381	\$ 21,475,879	\$ 21,475,879	\$ (21,832,502)	
002	General Fund Reserves	-	-	-	-	-	
003	Building Reserves	390,000	390,000	305,000	305,000	(85,000)	
103	Complete Streets	-	-	-	-	-	
105	Drug Enforcement	4,000	4,000	-	-	(4,000)	
106	Hotel/Motel Tax	338,156	338,156	49,593	49,593	(288,564)	
115	ARPA Funding	50,100	174,268	145,791	145,791	(28,477)	
200	Debt Service	496,100	496,100	352,574	352,574	(143,526)	
221	LID Guarantee	-	-	-	-	-	
302	Sidewalk	880,000	1,513,200	63,455	63,455	(1,449,745)	
305	REET Fund	550,000	550,000	300,000	300,000	(250,000)	
307	136th/Valentine LID	-	-	-	-	-	
310	Parks & Trails Capital	5,131,106	9,924,556	1,152,270	1,152,270	(8,772,286)	
320	Street Capital	24,625,588	28,199,341	7,887,629	7,887,629	(20,311,712)	
325	Facilities Capital	565,000	3,605,000	4,003,586	4,003,586	398,586	1
401	Water	20,279,605	20,809,590	6,732,454	6,732,454	(14,077,136)	
402	Sewer	21,270,227	21,578,337	9,310,627	9,310,627	(12,267,710)	
403	Utility Bond Reserves	-	-	-	-	-	
408	Stormwater	42,424,254	51,521,239	15,542,608	15,542,608	(35,978,631)	
410	Cemetery Operation	1,425,316	1,433,816	721,687	721,687	(712,129)	
415	Cemetery Development	300,000	300,000	22,608	22,608	(277,392)	
440	Animal Control	2,062,680	2,070,630	940,309	940,309	(1,130,321)	
501	Unemployment Insurance	3,991	3,991	29,463	29,463	25,472	2
550	Fleet Operations	1,551,411	1,551,411	735,668	735,668	(815,743)	
551	Technology Services	3,336,088	3,475,738	1,641,490	1,641,490	(1,834,248)	
555	Fleet Replacement	1,770,000	1,770,000	524,246	524,246	(1,245,754)	
601	Cemetery Endowment	-	-	-	-	-	
603	Alder Avenue Remediation	-	-	-	-	-	
605	Development Impact Fees	998,833	2,531,333	2,061,124	2,061,124	(470,209)	
611	Firemen's Pension	160,000	160,000	85,636	85,636	(74,364)	
615	Section 125 Plan	-	-	16,942	16,942	16,942	3
635	Municipal Court Trust Account	-	-	160,551	160,551	160,551	3
	Total - All Funds	\$ 169,587,969	\$ 195,709,087	\$ 74,261,189	\$ 74,261,189	\$ (121,447,898)	

All variances are consistent with actions approved by City Council. Specifically.

1. Consistent with awarded construction contracts;
2. Variance due to non-appropriated unemployment claim activity;
3. Non-appropriated funds.

NOTE 4 – JOINT VENTURES

Metro Animal Services was formed through an Interlocal Agreement (ILA) with the City of Puyallup in 2007. This ILA provides the structure and framework for both animal sheltering and animal control services. The cities of Sumner and Puyallup act as lead agencies to provide services to both Sumner and Puyallup, as well as five additional cities under separate interlocal agreements.

Per the ILA, Metro Animal Services is governed by an Operations Board.

In 2023, the Metro Animal Services Operating Budget was \$2,070,630 (2023/2024 Revised Biennial Budget) and reported \$9,660 in 2023 operating revenues (2023 revenues less 2023 expenditures).

NOTE 5 – COVID 19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

The impacts of the Covid-19 pandemic on the local, regional, and federal economy likely won't be fully known for years. City staff continue to identify both short and long term impacts of the pandemic. Sumner relies on a variety of revenue sources to support both General Fund and capital projects. The pandemic impacts will be felt through almost all revenue sources, including taxes (sales, property, gambling), utility billing (cessation of utility late penalties and service interruptions during the declared emergency) and state shared revenues (motor vehicle fuel tax, multi-modal transportation tax). We know the fiscal impact will be significant, we don't know how deeply and how long the impact will persist.

As we developed and adopted our 2023/2024 Biennial Budget, staff and Council remained mindful that the trajectory of our budget changed dramatically since the beginning of 2020. Sumner has historically budgeted and spent conservatively, leveraging grants and interlocal agreements as much as possible. That conservatism serves us well moving into this new economy, but the uncertainty of the depth of the recession and timing for recovery will require prudent decisions and readiness to make adjustments as needed.

The Governor of the State of Washington declared an end to the Covid 19 pandemic emergency effective May 11, 2023. The full extent of the financial impact on the City of Sumner is unknown at this time.

NOTE 6 – DEPOSITS & INVESTMENTS

a. Deposits

As of December 31, 2023, the carrying amount of the presented fund's deposits and investments was \$92,014,195 and does not differ materially from the bank balances of deposits.

The City of Sumner Municipal Court holds a separate bank account for judicial transactions and bonds held in trust. This account is included in the reported cash balances. As of December 31, 2023, the balance of this account was \$23,931.08.

b. Investments

It is the City's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The City of Sumner is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost,

which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Sumner would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Sumner's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The City's investments are insured, registered or held by the City of Sumner or its Agent in the City's name. Investments are presented at cost.

Investments by type at December 31, 2023 are as follows:

Type of Investment	City's Own Investments	Investments Held by the City for other local governments, individual or private organizations		Total
Local Government Investment Pool	\$ 6,923,495	\$ -		\$ 6,923,495
US Government Securities	499,026	-		499,026
Total Investments	<u>\$ 7,422,521</u>	<u>\$ -</u>		<u>\$ 7,422,521</u>

NOTE 7 – LEASES (LESSEES)

During the year ending 12/31/2022, the City adopted guidance for the presentation and disclosure of leases, as required by the BARS Manual. This requirement resulted in the addition of this note disclosure as well as a lease liability reported on the Schedule of Liabilities.

The total amount paid for leases in 2023 was \$19,766.

- The City of Sumner has a land lease with the Burlington Northern Santa Fe Railroad for \$67/year. This lease increases by 3.0% annually.
- The City of Sumner leases a modular office and storage container from William Scotsman (formerly Modern Building Systems) for \$600 and \$125 per month respectively. The initial term was twelve months beginning in March 2022. The items are leased under a cooperative agreement and there is no ownership conversion or term commitment. The City's intent is to lease through 2024, or upon completion of the Cemetery Building.
- The City of Sumner leases a modular office container from Pacific Mobile Structures for \$932.25 per month. The initial term was thirty-six months beginning in December 2023. The office is

used as a job shack at the Central Well and is leased under a cooperative agreement. There is no ownership conversion or term commitment. The City's intent is to lease through 2026, or upon completion of the Public Works Operations Facility.

- The City of Sumner leases postage equipment from GreatAmerican Financial Systems for \$117 per month.
- The City of Sumner leases copiers for City Hall, the Wastewater Treatment Facility, Public Works Shops, and Metro Animal Services from Canon Financial Services.
- The City of Sumner leases a copier from Wells Fargo Financial Services for the Senior Center.

As of December 31, 2023, the future lease payments are:

	Office/Storage	Copiers	Postage Equipment	Land Lease	Total
2023	9,121	9,174	1,404	67	19,766
2024	19,887	8,953	936	69	29,845
2025	11,187	8,953	-	71	20,211
2026	11,187	8,953	-	73	20,214
2027	-	3,532	-	76	3,607
2028	-	-	-	78	78
	\$ 51,382	\$ 39,565	\$ 2,340	\$ 435	\$ 93,722

NOTE 8 – Subscription Based Information Technology Arrangements (SBITA) (Lessees)

During the year ended 12/31/2023, the City of Sumner 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 has SBITA contracts for a variety of software solutions, including the Financial ERP (general ledger, financial operations, utility billing, permits and inspections), networking and virtual workplace, human resources, and records management. In 2023, the City paid \$439,054 for SBITA expenditures. As of December 31, 2023, the future SBITA payments are as follows:

Year Ended December 31	Software	SaaS	Total
2024	303,681	226,923	530,604
2025	318,865	238,269	557,134
2026	334,809	250,182	584,991
2027	351,549	262,691	614,240
2028	-	-	-
2029-2033	-	-	-
	\$ 1,308,905	\$ 978,065	\$ 2,286,970

NOTE 9 – LONG-TERM DEBT

The accompanying Schedule of Long-Term Liabilities (Schedule 09) provides more details of the outstanding debt and liability of the City and summarizes the City's debt transactions for 2023. The debt service payment for future payment requirements, including interest, are as follows:

General Obligation Bonds

	Principal	Interest	Total
2024	257,000	288,182	545,182
2025	268,000	305,314	573,314
2026	4,612,000	295,987	4,907,987
2027	288,000	77,848	365,848
2028	298,000	67,825	365,825
2029-2033	1,651,000	176,262	1,827,262
2034-2038	-	-	-
	7,374,000	1,211,418	8,585,418

Public Works Trust Fund Loans

	Principal	Interest	Total
2024	388,606	11,648	400,255
2025	277,298	9,705	287,003
2026	277,298	8,319	285,617
2027	277,298	6,932	284,230
2028	1,109,191	13,865	1,123,056
2029-2033	-	-	-
2034-2038	-	-	-
	2,329,690	50,470	2,380,160

Revenue Bonds

	Principal	Interest	Total
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029-2033	-	-	-
2034-2038	-	-	-
	-	-	-

Other Long-Term Debt (Loans)

	Principal	Interest	Total
2024	536,302	145,215	681,518
2025	542,003	135,376	677,379
2026	547,836	125,405	673,241
2027	553,804	115,298	669,102
2028	559,912	105,052	664,963
2029-2033	2,896,253	366,484	3,262,737
2034-2038	1,985,012	89,228	2,074,240
	7,621,122	1,082,058	8,703,180

Assessment Debt

	Principal	Interest	Total
2024	299,653	44,124	343,777
2025	299,653	35,731	335,384
2026	299,653	27,337	326,990
2027	299,653	18,943	318,597
2028	299,653	10,550	310,203
2029-2033	101,553	2,742	104,295
2034-2038	-	-	-
	1,599,820	139,427	1,739,247

Total Debt

	Principal	Interest	Total
2024	1,481,562	489,170	1,970,732
2025	1,386,954	486,126	1,873,080
2026	5,736,787	457,048	6,193,835
2027	1,418,755	219,021	1,637,776
2028	2,266,756	197,292	2,464,047
2029-2033	4,648,807	545,488	5,194,295
2034-2038	1,985,012	89,228	2,074,240
	18,924,632	2,483,373	21,408,005

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City of Sumner is a Participating Employer in the Association of Washington Cities Employee Benefit Trust "Trust", a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities "AWC". The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. That report, along with a copy of the

Trust document, may be obtained by writing to the Trust at 1076 Franklin Street SE, Olympia WA 98501-1346 or by calling 1-800-562-8981.

Funding Policy: The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees, and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Rates for retirees of the City receiving medical benefits from the Trust can be found at [AWC Employment Benefit Trust Retiree Rates](#).

LEOFF I Retiree Health Care Plan

During the year ended 12/31/2019, the City of Sumner adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS Manual. This requirement resulted in the addition of a post-employment liability reported on the Schedule of Liabilities (Schedule 9).

Plan Description: The City of Sumner administers a closed, single-employer defined benefit healthcare plan “the LEOFF I Retiree Health Care Plan”. The plan provides lifetime healthcare benefits (medical/dental/vision) for eligible LEOFF I retirees through the City’s group healthcare plans, which cover both active and retired members. Benefit provisions are established through the LEOFF Disability Board representing LEOFF I retirees. The LEOFF I Retiree Health Care Plan does not issue a publicly available financial report.

Funding Policy: The City contributes 100% of the cost of the LEOFF I Retiree Health Care Plan. As of December 31, 2023, the City of Sumner’s total OPEB liability was \$3,076,139, as calculated using the alternative measurement method. For the year ended December 31, 2023, the City contributed \$62,370 to the plan, covering seven retirees. Plan members do not contribute to the plan. The plan is paid through the General Fund. In addition to premiums, the City pays for out of pocket expenditures directly to the retiree once approved by the LEOFF Board. In 2023, the City paid \$5,554 directly to retirees (or vendors on retiree behalf) to reimburse out of pocket expenses. These expenditures are paid by the General Fund.

NOTE 11 - PENSION PLANS

a) State Sponsored Pension Plans

Substantially all city full-time and qualifying part-time employees participate in LEOFF or PERS administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems

Communications Unit
PO Box 48380
Olympia, WA 98504-8380

The DRS CAFR may also be downloaded from the DRS website at www.drs.wa.gov.

The City of Sumner also participates in the LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

The City of Sumner also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

As of June 30, 2023, the City of Sumner's proportionate share of the collective net pension liabilities as reported on the Schedule 9 was as follows:

Plan	DRS - Schedule of Employer and Non-Employer Allocations		DRS Schedule of Collective Pension Amounts		City's Portion of NPL 12/31/2023
	Employer Contribution	Allocation %	6/30/2023		
PERS 1	\$ 373,027	0.054724%	2,282,732,000	\$	1,249,202
	\$ 373,027		<i>Total Net Pension Liability (Schedule 9)</i>	\$	1,249,202
PERS 2/3	\$ 620,564	0.070581%	\$ (4,098,683,000)	\$	(2,892,891)
LEOFF 1	-	0.015931%	(2,968,024,000)		(472,836)
LEOFF 2	132,133	0.058539%	(2,398,598,000)		(1,404,115)
	\$ 752,697		<i>Net Pension Asset</i>	\$	(4,769,843)

¹UAAL represents the unfunded actuarial accrued liability

Source: WA State Department of Retirement Systems

<https://www.drs.wa.gov/wp-content/uploads/2023/10/2023-PEFI-Documents.pdf>

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b) Local Government Pension Plans

City of Sumner Fire Relief and Pension Plan - The City is the administrator of the Firemen's Pension Plan (Plan), which is a closed, single-employer defined benefit pension plan that was established in conformance with RCW Chapters 41.16 and 41.18. This plan provides retirement benefits and annual cost-of-living adjustments to plan members and beneficiaries. Membership is limited to firefighters employed prior to March 1, 1970 when LEOFF retirement system was established. The City's obligation under the Firemen's Pension Plan consists of paying all benefits, including payments to beneficiaries and healthcare, for firefighters who retired prior to March 1, 1970, and excess pension and healthcare benefits of LEOFF for covered firefighters who retired after March 1, 1970. Benefits of the defined benefit pension plan are recognized when due and payable in accordance with the Plan. The Plan does not issue a separate financial report.

As of December 31, 2023 there were a total of two individuals covered by this system, both of whom were drawing benefits. The Plan is operating on a pay-as-you-go basis. The City pays pension benefits and reimbursable medical expenses from the Plan. Medical insurance coverage for eligible members is paid from the General Fund. In 2023, the City paid \$14,446 in medical insurance coverage for eligible members.

Funding Policy: The City contributes 100% of the cost of the City of Sumner Fire Relief and Pension Plan. For the year ended December 31, 2023, the City contributed \$87,316 to the plan, covering two participants. Plan members do not contribute to the plan.

NOTE 12 - PROPERTY TAX

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

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

The city's regular levy for tax year 2023 was \$0.9721 (rounded) per \$1,000 on an assessed valuation of \$4,970,948,308 for a total regular levy of \$4,832,497.

NOTE 13 – RISK MANAGEMENT

The City of Sumner 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. At 12/31/2023, the City had a \$5,000 deductible for property claims, and a \$1,000 deductible for auto claims. 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 14 – HEALTH AND WELFARE

The City of Sumner 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 in order 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, Asuris 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/Asuris 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 15 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 16 – OTHER DISCLOSURES

a) Prior Period Adjustments

Fund	Increase (388)	Decrease (588)	Purpose
302 Park Capital Fund	151,707.49	-	Correct grant receipt posting
320 Street Capital Fund	-	(151,707.49)	Correct grant receipt posting
320 Street Capital Fund	-	(457,625.83)	Correct duplicate posting
	151,707.49	(609,333.32)	

Note: The presentation of \$151,707.49 was previously incorporated into FY2022 financial statement presentation; the adjustment noted above was to reflect the change in the City's financial software.

b) Capital commitments

The City of Sumner has active contracts as of December 31, 2023. The projects include:

City of Sumner
Pending Service/Construction Commitments
As of 12/31/2023

Fund	Vendor	Contract	CIP/Task Order	Description	Open Amount
001	Cairncross & Hempelmann	19112	13-05	Golf Course - Don Marcy	62,675.21
001	Tyler Technologies Inc	19151		Munis Implementation	16,600.86
001	West Coast Code Consultants Inc	19213		On Call Building Official Services	49,121.77
001	City of Puyallup	20025		Radio use and maintenance fees	5,803.50
001	South Sound 911	20079		Dispatch, RMS and Warrant Services	12,067.50
001	Olson Brothers Excavating Inc	21037	20-10	Sidewalk Imp. Construction Contract	167,045.19
001	Bill Clarke Attorney At Law	22018		Legislative Lobbying	11,983.50
001	RS Underground	22032	19-08	160th Retrofit/Sidewalks Construction	942.01
001	Tierra Right Of Way Services	22045	T2215	902 Kincaid Main St Vision	52,476.67
001	Specialized Pavement Marking	22047	22-11	Plastic Marking Application	3,117.25
001	Berk Consulting Inc	22058		2024 Comp Plan Update	123,009.05
001	Sumner Community Food Bank	23010		MOA Community Partners Fund	20,000.00
001	Vadis	23025		MOA Community Partners 2023-2024	15,000.00
001	Mi Casa	23027		2023-2024 Community Partners	5,000.00
001	Shea Carr & Jewell Inc	23028	W22-14	Parks & Trails Plan Update	35,868.42
001	Sierra Santa Fe Corporation	23030	W23-03	2023 Chip Seal	5,000.00
001	Transportation Systems Inc	23032	W23-04	140th & 24th Signal Modifications PWSW	3,000.00
001	BusUp Usa Mobility Inc	23038		Bus Up Agreement	26,894.93
001	Sumner Downtown Promo Assn	23051		Community Partners Fund payment to the Sumner Main	25,000.00
001	Pbs Engineering & Environmental Inc	23053	T2303	Main/Wood UST Assessment	2,035.40
001	Sound Inspections, Llc	23078		Plan Review, Building/Fire Inspections	272,485.91
001	Transpo Group Inc	23080	T23-24	Local Road Safety Plan	8,965.00
103	Olson Brothers Excavating Inc	21037	20-10	Sidewalk Imp. Construction Contract	0.01
106	Nextfactor Enterprises Inc	23069		Sub-Area Master Plan	41,200.00
115	BCRA Inc	19207	19-05/23-12	Alder/Kincaid Utilities	244.42
115	Dunn, Paul H	22022		Fiber Optics Master Plan	3,525.50
302	Vm Structural Design Inc	20066	20-07	Rivergrove Ped Bridge Design	17,943.20
302	Olson Brothers Excavating Inc	21037	20-10	Sidewalk Imp. Construction Contract	36,444.17
302	RS Underground	22032	19-08	160th Retrofit/Sidewalks Construction	33,538.23
302	KPG Psomas Inc	22035	19-08	160th Retrofit/Sidewalks Construction	22,945.50
302	Mackay Sposito Inc	23044	23-02	Elm St Sidewalks Design	57,685.03
310	WSP Usa, Inc.	19145	14-01	Fryar Ave Trail Consult. Svcs Contract	97,529.94
310	BCRA Inc	21079	18-04	Rainier View Covered Court	14,929.61
310	Pbs Engineering & Environmental Inc	22038	22-04	Sumner Texaco Remed. Consultant Svcs	263,445.71
310	Jett Landscape Architecture & Design	22052	W2204	Heritage Park, Alleys, Wayfinding Design	26,561.15
310	Krazan & Associates Of Wa Inc	23076	18-04	Rainier View Covered Court	9,000.00
310	Drayton Archaeological Research Llc	23077	18-04	Rainier View Covered Court	7,918.03
310	Landscape Structures Inc	23083	W23-14	Rainier View Park Playground Replacement	34,925.55
320	KPG Psomas Inc	19131	13-11	166th Ave Roadway Widening Improvement	754,122.99
320	WSP Usa, Inc.	19144	13-08	Stewart Road Bridge - Design & ROW	682,803.58
320	Wa St Dept Of Transportation	19156	13-08	Stewart Road Bridge	10,339.52
320	BCRA Inc	19198	19-02	Main & Wood Consultant Services	36,770.22
320	Wa St Dept Of Transportation	20031		LAA Wood-Main Intersect. LA09566R	10,443.02
320	KPG Psomas Inc	20073	20-08	Academy Bike Lanes Design/TCUW CMS	49.73
320	Wa St Dept Of Transportation	21060	13-11	166th Ave Roadway Widening Improvement	4,327.02
320	Transportation Solutions, Inc.	22012	21-11	Maple St Ped Signal, Backplates Design	47.22
320	Reed Trucking & Excavating Inc	22042	19-05/20-08	TCUW Construction Contract	689,383.89
320	Murraysmith Inc	22063	19-02	Main & Wood Construction Management	36,921.61
320	Wa St Dept Of Transportation	23002	13-11	166th Ave Roadway Widening Improvement	644.69
320	RW Scott Construction Co	23006	19-02	Main & Wood Construction	340,174.54
320	Transportation Systems Inc	23081	13-08	Stewart Road Bridge - Luminaire Removal	6,134.00
325	TCF Architecture PLLC	20032	17-13	Public Works Operatons Facility	1,338,327.15
325	Wiss, Janney, Elstner Associates Inc	23008	19-07	Ryan House	6,153.90
325	Olympic Roofing LLC	23041	23-05	City Hall Roof Replacement CN Contract	11,434.44
325	Msgs Architects	23059	22-03	Cemetery Facility CMS	22,757.50
325	JMJ Team	23060	22-03	Cemetery Facility CMS	16,480.00
325	Rodarte Construction	23067	17-13	Public Works Operatons Facility	831,636.54
325	Berschauer Construction Inc	23071	22-03	Cemetery Facility Construction	1,349,761.92
325	Krazan & Associates Of Wa Inc	23075	22-03	Cemetery Facility Testing	4,647.50

City of Sumner
Pending Service/Construction Commitments
As of 12/31/2023

Fund	Vendor	Contract	CIP/Task Order	Description	Open Amount
401	Law Office Of Thomas M Pors	19044	04-02	Water Rights Legal Svcs	93,860.60
401	KPG Psomas Inc	19085	18-03	24th St Utility Relocation	39,522.39
401	Terraphase Engineering Inc	19132	04-02	Water Rights 19-20 Pilot Project	141,028.97
401	BCRA Inc	19207	19-05/23-12	Alder/Kincaid Utilities	64,649.97
401	Rh2 Engineering, Inc.	20033	19-10	S Tank Seismic Retrofit Design	23,955.36
401	Terraphase Engineering Inc	21077	T2118	USGS Model Technical Rvw	2,179.61
401	Bill Clarke Attorney At Law	22018		Legislative Lobbying	8,987.62
401	QCC Quality Controls Corporation	22023	T2205	Dieringer Well Upgrades	113.00
401	FCS Group	22029	T2210	Water Rights Negotiation	6,915.00
401	Akana, Cascade Design Prof.	22031	18-03	24th St Utility Relocation	4,708.14
401	Reed Trucking & Excavating Inc	22042	19-05/20-08	TCUW Construction Contract	94,794.93
401	RW Scott Construction Co	23006	19-02	Main & Wood Construction	26,165.57
401	BHC Consultants LLC	23033	23-04	W Well Water Main & Cemetery Irrig. Imp.	46,350.71
401	FCS Group	23043	23-01	Utility Rate Study Analysis	16,650.89
401	QCC Quality Controls Corporation	23066	T2304	Sewer/Water SCADA Support	13,952.25
401	Kurita America Inc	23082	W23-15	Central Well Media Replacement	125,700.00
402	BCRA Inc	19207	19-05/23-12	Alder/Kincaid Utilities	1,226.45
402	KPG Psomas Inc	21046	21-09	Auto Lane Force Main Replacem	11,445.58
402	Gray & Osborne Inc	22004	21-17	WWTF Equip. Modernization Design	624,176.40
402	Gray & Osborne Inc	22013	T2202	Pretreatment Program Dev. Support	13,250.74
402	Johansen Construction Co LLC	22030	18-03	24th St Utility Relocation	167,613.73
402	Akana, Cascade Design Prof.	22031	18-03	24th St Utility Relocation	7,061.52
402	Gray & Osborne Inc	22055	21-05	WWTF ABAC Prog/Imp.	11,881.90
402	RW Scott Construction Co	23006	19-02	Main & Wood Construction	3,952.88
402	Aqua Tech Llc	23009	21-04	WWTF Dryer & Influent Const.	12,298.86
402	QCC Quality Controls Corporation	23029	T2302	Lift Station Upgrades: LS10,11,12	42,160.00
402	Follett Engineering Pllc	23042	20-04	LS 2 & 6 Control Panel Replace.	23,140.00
402	FCS Group	23043	23-01	Utility Rate Study Analysis	33,301.84
402	Conley Engineering Inc	23058	W2305	2023 SCADA Support	27,161.65
402	QCC Quality Controls Corporation	23066	T2304	Sewer/Water SCADA Support	14,444.84
408	Van Ness Feldman Llp	19010	14-10	White River Restoration Land Use	24,491.50
408	Thomson Strategic Consulting	19014	14-10	White River Restoration Consultant Contract	9,640.49
408	Tierra Right Of Way Services	19015	14-10	White River Restoration Consultant Contract	183,682.02
408	KPG Psomas Inc	19038	14-10	White River Restoration Consultant Contract	48,470.01
408	Natural Systems Design Inc	19042	14-10	White River Restoration Consultant Contract	70,769.24
408	Natural Systems Design Inc	19045	14-10	White River Restoration Consultant Contract	750,261.34
408	Natural Systems Design Inc	19046	14-10	White River Restoration Consultant Contract	136,154.88
408	Dgk Inc. - Widener & Associates	19063	14-10	White River Restoration Consultant Contract	278,193.80
408	KPG Psomas Inc	19131	13-11	166th Ave Roadway Widening Improvement	38,103.55
408	KPG Psomas Inc	21036	21-08	ESN Salmon Crk Channel Realign Final PE	33,216.35
408	Action Services Corporation	21081	W21-10	2021 Catch Basin Cleaning	50,000.00
408	Bill Clarke Attorney At Law	22018		Legislative Lobbying	8,987.63
408	Johansen Construction Co LLC	22030	18-03	24th St Utility Relocation	24,718.59
408	Akana, Cascade Design Prof.	22031	18-03	24th St Utility Relocation	6,338.61
408	Reed Trucking & Excavating Inc	22042	19-05/20-08	TCUW Construction Contract	72,474.15
408	Cowling & Company Llc	22051	T2213	Mitigation Monitoring/Reporting	103,932.20
408	Osborn Consulting Inc	22059	22-06	Salmon Creek Culverts - Design	282,320.08
408	FCS Group	23043	23-01	Utility Rate Study Analysis	16,650.92
408	Rodarte Construction	23045	21-08	ESN Salmon Crk Realign. CN	69,351.44
408	Parametrix	23052	14-10	White River Restoration Construction Management	355,740.05
408	Scotty'S General Construction Inc	23061	23-06	160th Storm Line Replacement CN	12,689.81
408	Parametrix	23065	21-15	Stewart Pond Repair	10,962.07
408	Rivers Edge Environmental Services Inc	23068	W23-11	16th ST Demos	7,568.00
415	BHC Consultants LLC	23033	23-04	W Well Water Main & Cemetery Irrig. Imp.	1,584.75
440	Sumner Veterinary Hospital	19097		Veterinary Services	79.60
440	City of Puyallup	20025		Radio use and maintenance fees	766.52
440	South Sound 911	20079		Dispatch, RMS and Warrant Services	4,232.50
551	QCC Quality Controls Corporation	22060	T2220	Central Well Cell Telem. Upgrad	8,530.39
					<u>\$ 12,057,851</u>

c) Contingencies and Litigation

1. Anderson v. City of Sumner. On April 19, 2022, the City was served with the lawsuit related to a 2019 pedestrian vs. car collision that occurred at the Ryan/Main St. intersection in the City of Sumner. The driver of the vehicle that struck the pedestrian is also named as a defendant. The allegations against the City are related to crosswalk design and maintenance and the damages sought exceed \$20 million dollars. WCIA assigned defense counsel to represent the City named Amanda Bley Kuehn. On the eve of trial, in August, 2023, the City settled this matter with the Plaintiff for \$1,250,000. The plaintiff was ultimately awarded 21 million dollars against the at-fault driver of the vehicle at trial, so the settlement was an excellent outcome for the City.
2. In September, 2023, the City of Sumner substantially completed a large park renovation and utility upgrade project titled the "Town Center Utility and Woonerf" Project. The contractor is named Reed Trucking and Excavating. From the commencement of the project, the City has had challenges with Reed's performance under the contract, resulting in several disagreements between the City and Reed. Currently, Reed has filed seven protests against the City, and one official Claim. The City is working to resolve all the disputes, but one or more may result in the WSDOT claims process and/or litigation at the end of the project. The likelihood of an unfavorable outcome is unknown at this time, and these losses would not be covered by any insurance risk pool coverage.
3. The City owns a large park site called Heritage Park that is a known contaminated site having previously been a gas station. The City is currently investigating whether any contaminants have traveled onto private adjacent property. The City is in the preliminary and informal stages of addressing a complaint from a neighboring property owner related to said contamination. MTCA state laws require that the City pay for certain reasonable investigation and clean-up efforts, which are unknown at this time. The City is in the process of completing a pilot study and remedial investigation to determine the extent and impact of the contamination, after which time the City can determine the degree of liability, if any. The City is also close to applying to be part of Dept of the Department of Ecology as part of the Voluntary Clean Up Program. Any losses incurred through this matter would not be covered by insurance.
4. In September, 2023, a group of citizens comprising the "Save our Sumner Committee" filed a petition against the City with the Growth Management Hearings Board and then a LUPA (Land Use Petition Act) matter in Superior Court alleging that a City Council resolution and subsequent demolition permit to demolish a historic home sitting in a City Park (The Ryan House) was inconsistent with the City's comprehensive plan. The City retained outside counsel. The City successfully dismissed the Growth Management lawsuit but was not successful in the LUPA Superior Court matter. The Judge ordered the City to amend the comprehensive plan before making any decisions on the future of the Ryan House. That is occurring now. Though there were no monetary penalties imposed by the Court, the City did spend \$60,000 on outside counsel to litigate all the various claims. The citizen group has proven to be litigious, so it is unknown at this time if additional future litigation will be filed against the City on this topic.

There are no other known or potential claims that arose during FY2023 that are likely to, or could, result in liability of greater than \$50,000.

d) Asset Retirement Obligations

The City of Sumner owns certain assets that fall under GASB 83 guidelines for evaluation and disclosure of potential closure liabilities. Specifically, the City of Sumner owns four water production wells. The City has no intent of decommissioning these wells; rather, the City is one of five legislatively-designated pilot projects state-wide for the demonstration of alternative mitigation sequencing for new water right applications, pursuant to RCW 90.94.090. This pilot project will enable Sumner to obtain new groundwater rights and well capacity needed to serve a growing number of customers in its retail water service area, knowing that the City's current water rights will not sustain the anticipated growth. For its pilot project (and beyond), the City of Sumner will present its current water portfolio, which includes a perpetual need for the well infrastructure.

For compliance with GASB 83 reporting, the City obtained a consultant estimate of decommissioning these well assets (Source: Robinson Noble, 10/27/2021).

Well Asset	Estimate
Central Well	\$30,000
South Well	\$20,000
West Well	\$20,000
Dieringer Well	\$30,000

These amounts are not material to the Water Fund (401), and are not reported elsewhere in the financial statements.

In addition, the City owns and operates a Wastewater Treatment Facility. This facility provides wastewater collection and treatment for the City of Sumner and the City of Bonney Lake (via interlocal agreement). The City does not intend to decommission this facility, and due to the inability to reasonably foresee closure or estimate the cost of decommissioning the facility, cannot estimate the related liability.

e) Subsequent Events

In 2024, the City entered into a loan agreement with the Public Works Board for a Public Works Trust Fund Loan in the amount of \$3,134,414 for the construction of a decant facility associated with the new Public Works Operations Facility. This loan has a 1.72% interest rate with a term of twenty (20) years. Debt service will be paid from the Stormwater Fund (408).

In 2013, the City of Sumner entered into a purchase and sale agreement for the Sumner Meadows Golf Course. Although delayed by multiple events, the City anticipates concluding and closing the property transaction in 2024. The City expects to receive approximately \$45M for this sale.

In 2024, the City intends to issue Limited Tax General Obligation and/or revenue backed debt. The proceeds of this issue will be used to complete design and construct a new Public Works Operations Facility.

f) Other Disclosures

The following disclosures were originally made in accordance with continuing disclosure requirements associated with the City's 2008 Water/Sewer Revenue Refunding Bonds. Although that debt was fully paid as of 12/31/2018, the City continues to disclose the following for reader information.

a. Rates for the System

Current utility rates can be located at <https://sumnerwa.gov/monthly-utility-rates/>

b. Number of Customers for the System

City of Sumner Utility Customers
As of 12/31/2023

Customer Type	Water	Sewer	Stormwater	Total
Residential	3,383	3,265	3,033	9,681
Commercial	397	342	352	1,091
Industrial	67	28	73	168
Other	247	39	56	342
Total	4,094	3,674	3,514	11,282

Source: City of Sumner

**City of Sumner
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						
263.61	LTGO 2023 BAN Ops	10/1/2026	-	4,334,000	-	4,334,000
251.11	2023 LTGO Cemetery Facility	7/1/2033	-	3,040,000	-	3,040,000
Total General Obligation Debt/Liabilities:			-	7,374,000	-	7,374,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		762,549	181,570	-	944,119
259.12	Compensated Absences		411,970	177,053	-	589,023
263.88	PWTF 04-691-067	12/31/2024	222,617	-	111,308	111,309
263.88	PWTF PC12-951-050	12/31/2031	2,495,679	-	277,298	2,218,381
263.84	Department of Ecology	12/31/2034	4,077,059	-	239,675	3,837,384
263.84	Drinking Water State Revolving Fund Loan	12/31/2037	4,074,794	-	291,057	3,783,737
264.30	Net Pension Liability		1,465,357	-	216,155	1,249,202
264.30	Net Pension Liability - Fire Pension		651,000	-	-	651,000
264.40	OPEB Liability		3,015,792	60,347	-	3,076,139
263.57	Leased Postage Equipment		3,072	-	732	2,340
263.57	BNSF Land Lease		325	110	-	435
263.57	Portable Office/Storage Lease		19,032	32,350	-	51,382
263.57	Copier Leases		43,286	-	3,721	39,565
263.57	SBITA Obligations		-	2,726,024	439,054	2,286,970
Total Revenue and Other (non G.O.) Debt/Liabilities:			17,242,532	3,177,454	1,579,000	18,840,986
Assessment Debt/Liabilities (with commitments)						
253.11	LID #78	10/1/2029	1,343,204	-	188,865	1,154,339
253.11	ULID #2007-1	12/31/2028	534,577	-	89,096	445,481
Total Assessment Debt/Liabilities (with commitments):			1,877,781	-	277,961	1,599,820
Total Liabilities:			19,120,313	10,551,454	1,856,961	27,814,806

City of Sumner
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607		-	4,485	4,485	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-8230	73,046	-	73,046	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-8487	862	-	862	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-9566	1,232,499	-	1,232,499	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-9650	14,443	-	14,443	-	1, 2, 3, 4
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-10099	148,963	-	148,963	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-10659	1,293	-	1,293	-	1, 2, 3

The accompanying notes are an integral part of this schedule.

City of Sumner
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-10164	4,746	-	4,746	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-10644	3,179	-	3,179	-	1, 2, 3
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA DOT)	Highway Planning and Construction	20.205	LA-10661	2,865	-	2,865	-	1, 2, 3
Total ALN 20.205:				1,481,896	-	1,481,896	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	State and Community Highway Safety	20.600	2023-HVE-4687 -Region 5 Target Zero Task Force	2,371	-	2,371	-	1, 2, 3
Total Highway Safety Cluster:				2,371	-	2,371	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	893,927	893,927	-	1, 2, 3, 4
Total Federal Awards Expended:				1,484,267	898,412	2,382,679	-	

The accompanying notes are an integral part of this schedule.

City of Sumner, Washington**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023****NOTE 1 – BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the City of Sumner's financial statements. The City of Sumner uses the cash basis of accounting for all funds.

NOTE 2 – FEDERAL INDIRECT COST RATE

The City of Sumner has elected to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance; however, the amount expended includes \$0 claimed as an indirect cost recovery.

NOTE 3 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal award portion of the program costs. Entire program costs, including the City of Sumner's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 – EXPENDITURES FROM PRIOR YEAR(S)

All or a portion of the amounts shown as current year expenditures were incurred in prior periods.



CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

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

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2023-001	Finding caption: The City did not have adequate internal controls for ensuring compliance with federal requirements for suspension and debarment
Name, address, and telephone of City contact person: Kassandra Raymond, Chief Financial Officer 1104 Maple Street Sumner, WA 98390 253-299-5541 kassandrar@sumnerwa.gov	
Corrective action the auditee plans to take in response to the finding: <i>The City of Sumner's standard contract templates already include self-certification language for suspension and debarment. The City will be adding similar language to the standard purchase order template in the Tyler ERP software. Additionally, the City will continue providing guidance and requiring training for all staff with regard to federal compliance requirements.</i>	
Anticipated date to complete the corrective action: 01/29/2025 (scheduled consult day with Tyler ERP support)	

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.

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