



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Sumas

For the period January 1, 2022 through December 31, 2023

Published April 3, 2025

Report No. 1036848



Scan to see another great way
we're helping advance
#GoodGovernment



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

April 3, 2025

Mayor and City Council
City of Sumas
Sumas, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sumas 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

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	9
Independent Auditor's Report on the Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	49

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Sumas 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 no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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 reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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 Sumas January 1, 2022 through December 31, 2023

Mayor and City Council
City of Sumas
Sumas, 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 Sumas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated March 26, 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 audits 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 style with a large, stylized initial "P".

Pat McCarthy, State Auditor

Olympia, WA

March 26, 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 Sumas January 1, 2023 through December 31, 2023

Mayor and City Council
City of Sumas
Sumas, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Sumas, 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.

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.

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

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.



Pat McCarthy, State Auditor

Olympia, WA

March 26, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Sumas January 1, 2022 through December 31, 2023

Mayor and City Council
City of Sumas
Sumas, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Sumas, as of and for the years ended December 31, 2023 and 2022, 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 Sumas, and its changes in cash and investments, for the years ended December 31, 2023 and 2022, 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 Sumas, as of December 31, 2023 and 2022, or the changes in financial position or cash flows thereof for the years 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.

Matters of Emphasis

As discussed in Note 9 to the financial statements in 2023, the City adopted new accounting guidance for presentation and disclosure of subscription based information technology agreements, as required by the BARS manual. Our opinion is not modified with respect to this matter.

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 audits were conducted for the purpose of forming opinions 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 March 26, 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.

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

March 26, 2025

**City of Sumas
January 1, 2022 through December 31, 2023**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2023
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2023
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Liabilities – 2022
Schedule of Expenditures of Federal Awards – 2023
Notes to the Schedule of Expenditures of Federal Awards – 2023

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

		Total for All Funds (Memo Only)	001 Current Expense	104 Ec. Dev. Fund	105 Civic Imp
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,308,174	183,589	250,986	24,762
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,744,473	1,643,101	-	4,428
320	Licenses and Permits	73,207	73,207	-	-
330	Intergovernmental Revenues	4,938,071	4,133,124	-	-
340	Charges for Goods and Services	4,610,667	374,197	-	-
350	Fines and Penalties	16,210	16,210	-	-
360	Miscellaneous Revenues	67,849	16,975	4,116	277
Total Revenues:		<u>11,450,477</u>	<u>6,256,814</u>	<u>4,116</u>	<u>4,705</u>
Expenditures					
510	General Government	498,777	498,417	-	-
520	Public Safety	2,573,512	2,567,612	-	-
530	Utilities	3,906,698	34,721	-	-
540	Transportation	172,822	172,822	-	-
550	Natural/Economic Environment	39,966	35,956	114	3,011
560	Social Services	1,138	888	-	-
570	Culture and Recreation	139,195	139,195	-	-
Total Expenditures:		<u>7,332,108</u>	<u>3,449,611</u>	<u>114</u>	<u>3,011</u>
Excess (Deficiency) Revenues over Expenditures:		4,118,369	2,807,203	4,002	1,694
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	17,404	13,461	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	1,336,003	1,102,332	17,167	-
Total Other Increases in Fund Resources:		<u>1,353,407</u>	<u>1,115,793</u>	<u>17,167</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,815,149	989,471	-	-
591-593, 599	Debt Service	2,040	-	-	-
597	Transfers-Out	17,404	17,404	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	209,124	200,000	-	-
Total Other Decreases in Fund Resources:		<u>2,043,717</u>	<u>1,206,875</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>3,428,059</u>	<u>2,716,121</u>	<u>21,169</u>	<u>1,694</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	885,519	7,290	-	26,455
50841	Committed	272,154	-	272,154	-
50851	Assigned	3,185,693	499,555	-	-
50891	Unassigned	2,392,869	2,392,869	-	-
Total Ending Cash and Investments		<u>6,736,235</u>	<u>2,899,714</u>	<u>272,154</u>	<u>26,455</u>

The accompanying notes are an integral part of this statement.

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

		<u>107 CJ Lo-Pop</u>	<u>301 REET I</u>	<u>302 REET II</u>	<u>401 Water-Sewer</u>
Beginning Cash and Investments					
308	Beginning Cash and Investments	17,472	385,875	346,373	1,032,393
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	48,472	48,472	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	3,221	-	-	351,535
340	Charges for Goods and Services	-	-	-	1,547,474
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	227	4,198	3,726	17,775
Total Revenues:		<u>3,448</u>	<u>52,670</u>	<u>52,198</u>	<u>1,916,784</u>
Expenditures					
510	General Government	-	189	171	-
520	Public Safety	5,900	-	-	-
530	Utilities	-	-	-	1,643,746
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>5,900</u>	<u>189</u>	<u>171</u>	<u>1,643,746</u>
Excess (Deficiency) Revenues over Expenditures:		<u>(2,452)</u>	<u>52,481</u>	<u>52,027</u>	<u>273,038</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	2,629
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	200,000
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>202,629</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	470,227
591-593, 599	Debt Service	-	-	-	1,360
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>471,587</u>
Increase (Decrease) in Cash and Investments:		<u>(2,452)</u>	<u>52,481</u>	<u>52,027</u>	<u>4,080</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	15,019	438,356	398,399	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	1,036,474
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		<u>15,019</u>	<u>438,356</u>	<u>398,399</u>	<u>1,036,474</u>

The accompanying notes are an integral part of this statement.

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

		<u>410 Storm Sewer Fund</u>	<u>411 Light</u>
Beginning Cash and Investments			
308	Beginning Cash and Investments	73,358	993,366
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	411,755	38,436
340	Charges for Goods and Services	34,827	2,654,169
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	1,945	18,610
Total Revenues:		<u>448,527</u>	<u>2,711,215</u>
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	36,574	2,191,657
540	Transportation	-	-
550	Natural/Economic Environment	-	885
560	Social Services	-	250
570	Culture and Recreation	-	-
Total Expenditures:		<u>36,574</u>	<u>2,192,792</u>
Excess (Deficiency) Revenues over Expenditures:		<u>411,953</u>	<u>518,423</u>
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	1,314
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	16,504
Total Other Increases in Fund Resources:		<u>-</u>	<u>17,818</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	77,855	277,596
591-593, 599	Debt Service	-	680
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	9,124
Total Other Decreases in Fund Resources:		<u>77,855</u>	<u>287,400</u>
Increase (Decrease) in Cash and Investments:		<u>334,098</u>	<u>248,841</u>
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	407,457	1,242,207
50891	Unassigned	-	-
Total Ending Cash and Investments		<u>407,457</u>	<u>1,242,207</u>

The accompanying notes are an integral part of this statement.

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 Current Expense	104 Ec. Dev. Fund	105 Civic Imp
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,841,217	476,704	225,168	23,656
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,889,789	1,747,201	-	4,100
320	Licenses and Permits	82,186	82,186	-	-
330	Intergovernmental Revenues	2,160,680	2,122,599	-	-
340	Charges for Goods and Services	4,068,958	136,094	-	-
350	Fines and Penalties	24,553	24,553	-	-
360	Miscellaneous Revenues	72,480	65,148	1,428	19
Total Revenues:		<u>8,298,646</u>	<u>4,177,781</u>	<u>1,428</u>	<u>4,119</u>
Expenditures					
510	General Government	364,544	364,196	-	-
520	Public Safety	2,789,436	2,785,855	-	-
530	Utilities	4,065,023	33,197	-	-
540	Transportation	196,136	196,136	-	-
550	Natural/Economic Environment	107,748	30,320	800	3,012
560	Social Services	917	917	-	-
570	Culture and Recreation	100,356	100,356	-	-
Total Expenditures:		<u>7,624,160</u>	<u>3,510,977</u>	<u>800</u>	<u>3,012</u>
Excess (Deficiency) Revenues over Expenditures:		674,486	666,804	628	1,107
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	2,188,088	1,410,111	25,189	-
Total Other Increases in Fund Resources:		<u>2,188,088</u>	<u>1,410,111</u>	<u>25,189</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,696,299	1,630,025	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	1,699,318	740,000	-	-
Total Other Decreases in Fund Resources:		<u>3,395,617</u>	<u>2,370,025</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		(533,043)	(293,110)	25,817	1,107
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	781,772	7,290	-	24,762
50841	Committed	250,986	-	250,986	-
50851	Assigned	2,197,824	98,707	-	-
50891	Unassigned	77,592	77,592	-	-
Total Ending Cash and Investments		3,308,174	183,589	250,986	24,762

The accompanying notes are an integral part of this statement.

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

	<u>107 CJ Lo-Pop</u>	<u>301 REET I</u>	<u>302 REET II</u>	<u>401 Water-Sewer</u>	
Beginning Cash and Investments					
308	Beginning Cash and Investments	17,919	316,029	276,538	1,493,524
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	69,244	69,244	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	3,120	-	-	16,566
340	Charges for Goods and Services	-	-	-	1,295,884
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	13	786	755	3,491
	Total Revenues:	<u>3,133</u>	<u>70,030</u>	<u>69,999</u>	<u>1,315,941</u>
Expenditures					
510	General Government	-	184	164	-
520	Public Safety	3,581	-	-	-
530	Utilities	-	-	-	1,525,666
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
	Total Expenditures:	<u>3,581</u>	<u>184</u>	<u>164</u>	<u>1,525,666</u>
	Excess (Deficiency) Revenues over Expenditures:	(448)	69,846	69,835	(209,725)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	460,000
	Total Other Increases in Fund Resources:	-	-	-	460,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	51,409
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	660,000
	Total Other Decreases in Fund Resources:	-	-	-	711,409
	Increase (Decrease) in Cash and Investments:	(448)	69,846	69,835	(461,134)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	17,472	385,875	346,373	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	1,032,393
50891	Unassigned	-	-	-	-
	Total Ending Cash and Investments	<u>17,472</u>	<u>385,875</u>	<u>346,373</u>	<u>1,032,393</u>

The accompanying notes are an integral part of this statement.

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		410 Storm Sewer Fund	411 Light
Beginning Cash and Investments			
308	Beginning Cash and Investments	58,312	953,367
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	15,294	3,101
340	Charges for Goods and Services	34,348	2,602,632
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	55	785
Total Revenues:		<u>49,697</u>	<u>2,606,518</u>
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	34,651	2,471,509
540	Transportation	-	-
550	Natural/Economic Environment	-	73,616
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		<u>34,651</u>	<u>2,545,125</u>
Excess (Deficiency) Revenues over Expenditures:		<u>15,046</u>	<u>61,393</u>
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	292,788
Total Other Increases in Fund Resources:		<u>-</u>	<u>292,788</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	14,865
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	299,318
Total Other Decreases in Fund Resources:		<u>-</u>	<u>314,183</u>
Increase (Decrease) in Cash and Investments:		<u>15,046</u>	<u>39,998</u>
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	73,358	993,366
50891	Unassigned	-	-
Total Ending Cash and Investments		<u>73,358</u>	<u>993,366</u>

The accompanying notes are an integral part of this statement.

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

		<u>Total for All Funds (Memo Only)</u>	<u>Custodial</u>
308	Beginning Cash and Investments	3,650	3,650
388 & 588	Net Adjustments	-	-
310-390	Additions	59,586	59,586
510-590	Deductions	63,036	63,036
	Net Increase (Decrease) in Cash and Investments:	(3,450)	(3,450)
508	Ending Cash and Investments	200	200

The accompanying notes are an integral part of this statement.

City of Sumas
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	Custodial
		<hr/>	<hr/>
308	Beginning Cash and Investments	29,148	29,148
388 & 588	Net Adjustments	-	-
310-390	Additions	59,547	59,547
510-590	Deductions	85,045	85,045
	Net Increase (Decrease) in Cash and Investments:	<hr/> (25,498)	<hr/> (25,498)
508	Ending Cash and Investments	3,650	3,650

The accompanying notes are an integral part of this statement.

Notes to Financial Statements – 2023

Note 1 – Summary of Significant Accounting Policies

The City of Sumas was incorporated in 1891 and operates under the laws of the state of Washington applicable to a non-charter code city operating under the mayor-council plan of government. The City is a general purpose local government and provides public safety, street improvements, parks and recreation, building inspection, municipal court, cemetery, and general administrative services. In addition, the City owns and operates public utilities for water, sewer, storm-sewer, and electric.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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 fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all

financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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.

C. Cash and Investments

See [Note 3 – Deposits and Investments](#).

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1136 hours. Upon separation or retirement employees with 10 years or more of service will receive payment for unused sick leave at a rate of 25% of the balance. Comp leave may be accumulated up to 40 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

F. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of:

Fund	Restricted/ Committed Ending Balance	Restricted by:
001 Current Expense	\$7,289.67	*Asset Seizure "Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies"
104 Economic Dev. Fund	\$272,153.81	Ordinance 1298
105 Civic Improvement Fund	\$26,454.75	RCW 67.28.180, RCW 67.28.1815, RCW 67.28.1816
107 CJ Lo-Pop Fund	\$15,019.41	RCW 82.14.330
301 REET I Fund	\$438,355.72	RCW 82.46.010(2)
302 REET II Fund	\$398,399.49	RCW 82.46.035(2)
631 Treasurer's Trust Fund	\$200.00	Funds held in trust pending distribution to owners

Note 2 – Budget Compliance

A. Budgets

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

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

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

FUND	Final Appropriated Amounts**	Actual Expenditures	Variance
001 Current Expense	\$3,640,101	\$3,821,811	(\$181,710)
101 Street Fund*	\$833,278	\$799,949	\$33,329
103 Cemetery Fund*	\$39,964	\$34,721	\$5,243
104 Economic Dev. Fund	\$120	\$114	\$6
105 Civic Improvement Fund	\$3,020	\$3,011	\$9
107 Criminal Justice Lo-Pop Fund	\$5,913	\$5,901	\$12
301 REET I Fund	\$200	\$189	\$11
302 REET II Fund	\$200	\$171	\$29
401 Water-Sewer Fund	\$1,963,961	\$1,893,373	\$70,588
403 Water-Sewer Hookups Fund*	\$226,700	\$221,960	\$4,740
410 Storm Sewer Fund	\$97,997	\$114,429	(\$16,432)
411 Light Fund	\$2,536,474	\$2,471,069	\$65,405
412 Light Deposit Fund*	\$10,000	\$9,123	\$877

*Financial Statements were prepared with funds accounted for in another fund: Funds 101 & 103 were rolled into Fund 001; Fund 403 was rolled into Fund 401; Fund 412 was rolled into 411

**Ordinance 1812

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

Note 3 – Deposits and Investments

Investments are reported at face value. Deposits and investments by type at December 31, 2023 are as follows:

Type of Deposit or Investment	City's Own Deposits & Investments	Deposits held by the City as Custodian for	Total
Bank Deposits	\$6,749,229	\$200	\$6,749,429
Investments	\$500,000		\$500,000

Cash of Hand (Petty Cash)	\$600		\$600
Total	\$7,249,829	\$200	\$7,250,029

The interest on these investments is prorated to the various funds.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City 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'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).

All investments are insured, registered or held by the City or its agent in the government's name.

Note 4 – Interfund Loans

The following table displays interfund loan activity during 2023:

Borrowing Fund	Lending Fund	Balance 1/1/2023	New Loans	Repayments	Balance 12/31/2023
001	403	\$200,000	\$0	\$200,000	\$0
Total		\$200,000	\$0	\$200,000	\$0

Note 5 – Other Disclosures

The City of Sumas experienced a natural disaster flood event in November 2021 that caused major damage throughout the City and to multiple city owned properties including City hall, Police Department, Public Works offices, Senior Center/Library, Historical society building, parks, streets, vehicles, drainage systems and utilities. The City is working with FEMA for Public Assistance Grant funding and with our Insurance Risk Pool and NFIP insurance coverages to repair damages.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer

public employee defined benefit and defined contribution retirement plans: Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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

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

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

LEOFF Plan 2

The City 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.

At June 30, 2023 (*the measurement date of the plans*), the City's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$33,311	0.004888%	\$111,580
PERS 2/3	\$55,523	0.006315%	(\$258,832)
LEOFF 2	\$30,995	0.013732%	(\$329,375)

Only the net pension liabilities are reported on the Schedule of Liabilities.

Note 7 – 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 Calendar	
January 1	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax bills are mailed

April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due

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

The City's regular levy for the year 2023 was \$2.40 per \$1,000 on an assessed valuation of \$292,656,572 for a total regular levy of \$704,415.47.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

Note 8 – Risk Management

A. Property and Liability

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

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

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

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

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

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

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

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

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

B. Health and Welfare

The City of Sumas 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 Blue Shield, 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, there tირე 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 9 - Subscription Based Information Technology Arrangements (SBITA)

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

The City makes subscription payments of \$170 per month for a cloud based payment portal. The SBITA contract is for 3 years and auto-renews for an additional 3 years until either party cancels the subscription.

The total amount paid for SBITAs in 2023 was \$2,040. As of December 31, 2023, the future SBITA payments are as follows:

Year Ended December 31	Total
2024	\$2,040
2025	\$1,870
Total	\$3,910

Notes to Financial Statements – 2022

Note 1 – Summary of Significant Accounting Policies

The City of Sumas was incorporated in 1891 and operates under the laws of the state of Washington applicable to a non-charter code city operating under the mayor-council plan of government. The City is a general-purpose local government and provides public safety, street improvements, parks and recreation, building inspection, municipal court, cemetery, and general administrative services. In addition, the City owns and operates public utilities for water, sewer, storm-sewer, and electric.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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 fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

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.

C. Cash and Investments

See Note 3 – *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1136 hours. Upon separation or retirement employees with 10 years or more of service will receive payment for unused sick leave at a rate of 25% of the balance. Comp leave may be accumulated up to 40 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

F. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of:

Fund	Restricted/ Committed Ending Balance	Restricted by:
001 Current Expense	\$7,289.67	*Asset Seizure "Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies"
104 Economic Dev. Fund	\$250,985.66	Ordinance 1298
105 Civic Improvement Fund	\$24,761.97	RCW 67.28.180, RCW 67.28.1815, RCW 67.28.1816
107 CJ Lo-Pop Fund	\$17,471.61	RCW 82.14.330
301 REET I Fund	\$385,874.82	RCW 82.46.010(2)
302 REET II Fund	\$346,373.00	RCW 82.46.035(2)
631 Treasurer's Trust Fund	\$3,650.00	Funds held in trust pending distribution to owners

Note 2 – Budget Compliance

A. Budgets

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

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

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

FUND	Final Appropriated Amounts**	Actual Expenditures	Variance
001 Current Expense Fund	\$5,105,915	\$5,145,442	(\$39,527)
101 Street Fund *	\$1,291,800	\$702,363	\$589,437
103 Cemetery Fund *	\$37,275	\$33,197	\$4,078
104 Economic Dev. Fund	\$200,200	\$800	\$199,400
105 Civic Improvement Fund	\$3,020	\$3,012	\$8
107 Criminal Justice Lo-Pop Fund	\$3,620	\$3,581	\$39
301 REET I Fund	\$1,000	\$184	\$816
302 REET II Fund	\$1,000	\$164	\$836
401 Water-Sewer Fund	\$1,691,000	\$1,576,651	\$114,349
403 Water-Sewer Hookups Fund*	\$611,000	\$660,421	(\$49,421)
410 Storm Sewer Fund	\$39,400	\$34,651	\$4,749
411 Light Fund	\$3,129,400	\$2,839,989	\$289,411
412 Light Deposit Fund*	\$20,000	\$19,318	\$682
Totals	\$12,134,630	\$11,019,773	\$1,114,857

*Financial Statements were prepared with funds accounted for in another fund: Funds 101 & 103 were rolled into Fund 001; Fund 403 was rolled into Fund 401; Fund 412 was rolled into 411

**Ordinance 1800

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

Note 3 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type on December 31, 2022 are as follows:

Type of Deposit or Investment	City's Own Deposits & Investments	Deposits held by the City as Custodian for others	Total
Bank Deposits	\$3,446,873	\$3,650	\$3,450,523
Investments	\$500,000		\$500,000
Cash on Hand (Petty Cash)	\$600		\$600
Total	\$3,947,473	\$3,650	\$3,951,123

Interest earned is prorated to the various funds.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City 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'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).

All investments are insured, registered or held by the City or its agent in the government's name.

Note 4 – Interfund Loans

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
001	403	\$0	\$660,000	\$460,000	\$200,000
001	411	\$0	\$280,000	\$280,000	\$0
Total		\$0	\$940,000	\$740,000	\$200,000

Note 5 – Other Disclosures

A. Extraordinary Events

The City of Sumas experienced a natural disaster flood event in November 2021 that caused major damage throughout the City and to multiple city owned properties including City Hall, Police Department, Public Works Offices, Senior Center/Library, Historical Society building, parks, streets, vehicles, drainage systems and utilities. The City is working with FEMA for Public Assistance Grant funding and with our Insurance Risk Pool and NFIP insurance coverages to repair damages.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee

defined benefit and defined contribution retirement plans: Public Employees’ Retirement System (PERS) and Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF).

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

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

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

At June 30, 2022 (the measurement date of the plans), the City’s proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$26,682	0.004354%	\$121,231
PERS 2/3	\$45,741	0.005694%	(\$211,178)
LEOFF 2	\$27,309	0.013191%	(\$358,492)

Only the net pension liabilities are reported on the Schedule 09.

LEOFF Plan 2

The City 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.

Note 7 - 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 the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City’s regular levy for the year 2022 was \$2.63 per \$1,000 on an assessed valuation of \$255,579,644 for a total regular levy of \$672,340.62.

Note 8 – Risk Management

A. Property and Liability

The City of Sumas 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 166 members.

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

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

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

Insurance for property, automobile physical damage, fidelity, inland marine, and equipment breakdown coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, 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.

B. Health and Welfare

The City of Sumas 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, 2022, 262 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, 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 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 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.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences	12/31/2023	81,841	2,100	-	83,941
264.30	DRS Net Pension Liabilities	12/31/2023	121,231	-	9,651	111,580
263.57	Invoice Cloud: Online Payment Portal - 3-year subscription that auto-renews every 3 years	11/30/2025	5,950	-	2,040	3,910
Total Revenue and Other (non G.O.) Debt/Liabilities:			209,022	2,100	11,691	199,431
Total Liabilities:			209,022	2,100	11,691	199,431

**City of Sumas
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		68,125	13,716	-	81,841
264.30	DRS Net Pension Liabilities		56,262	64,969	-	121,231
	Total Revenue and Other (non G.O.) Debt/Liabilities:		124,387	78,685	-	203,072
	Total Liabilities:		124,387	78,685	-	203,072

City of Sumas
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 EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4309-DR -WA	286,323	-	286,323	-	1, 2, 3
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4635-DR -WA	1,942,500	-	1,942,500	-	1, 2, 3
			Total ALN 97.036:	2,228,823	-	2,228,823	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Whatcom County Sheriff's Office)	Homeland Security Grant Program	97.067	EMW-2020-SS- 00080	10,787	-	10,787	-	1, 2, 3
			Total Federal Awards Expended:	2,239,610	-	2,239,610	-	

The accompanying notes are an integral part of this schedule.

City of Sumas

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's financial statements. The city uses the *Cash Basis Budgeting, Accounting and Reporting System (BARS)* Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Note 2 – Federal Indirect Cost Rate

The city has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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'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.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

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