



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Puyallup

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

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

May 15, 2025

Council
City of Puyallup
Puyallup, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Puyallup'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 Puyallup January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Puyallup 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 identified 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 its major federal program.

We reported 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>
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

See Finding 2023-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

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

2023-001 The City did not have adequate internal controls over financial statement preparation to ensure complete and accurate reporting.

Background

State and federal agencies, the City Council, City Manager, and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance its financial reporting is reliable and the financial statements and notes to financial statements are accurate. The City prepares its financial statements in accordance with the cash-basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual.

The City also prepares a Schedule of Expenditures of Federal Awards (SEFA) as part of its annual financial report. Federal regulations require grantees to identify on the SEFA all federal money they have spent.

Under Uniform Guidance, governments that spend \$750,000 or more in federal grant awards in a year are required to obtain a federal single audit. Further, governments must submit audit results to the Federal Audit Clearinghouse within 30 calendar days after issuance of the audit report or within nine months after the audit period, whichever is earlier. Our audit identified deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate significant deficiencies as a finding.

Description of Condition

We found deficiencies in the City's internal controls over financial reporting that, when taken together, represent a significant deficiency. Specifically, the City did not establish adequate internal controls to ensure:

- The SEFA was complete and accurate before submitting it for audit
- It included all financial activity in the accounting systems and that the financial statements submitted for audit were accurate, complete and agreed to underlying accounting records
- Ending cash it reported on the financial statements was accurate and agreed to bank activity

Cause of Condition

The City experienced turnover in key accounting personnel responsible for preparing the financial statements and the SEFA. Further, because of the turnover, the City was unable to locate year-end bank reconciliations.

Additionally, the City underwent a general ledger conversion and changed utility billing systems during the audit period. The new utility billing system recorded financial activities differently than the previous system, which made it difficult for the City to determine proper financial reporting for the period under audit.

Effect of Condition

The City's financial information contained errors that were not detected by management.

Schedule of Expenditures of Federal Awards

The City did not include the COVID-19 Coronavirus State and Local Fiscal Recovery Fund expenditures in the amount of \$2.1 million on the SEFA it submitted for audit. Once the City corrected the SEFA, total federal expenditures exceeded the \$750,000 threshold, and the City therefore needed a federal single audit.

Financial Statements

The financial statements submitted for audit did not agree to the general ledger, as follows:

- Net adjustments were overstated by \$1,183,358
- Total expenditures were overstated by \$250,359
- Ending cash was overstated by \$840

The City corrected the financial statements; however, total expenditures on financial statements were still overstated when compared to the general ledger by \$250,359.

Bank Reconciliations

Ending cash and investments on the financial statements was \$1,774,140 less than the bank statements. The City was unable to provide additional documentation to reduce the variance, such as reconciling items, because the City's staff turnover resulted in it not retaining such records. Further, revenues and expenditures reported on the financial statements did not accurately reflect bank statement activity.

Recommendation

We recommend the City strengthen internal controls over its processes for preparing and reviewing the financial statements to ensure the financial statements and SEFA are accurate and complete. Specifically, we recommend the City:

- Complete a more thorough secondary review of the financial statements and the SEFA for reasonableness, completeness and accuracy before submitting them for audit
- Maintain documentation it used to prepare the financial statements
- Complete and retain year-end bank reconciliations for all bank accounts to ensure financial statements accurately reflect cash activity

City's Response

The City of Puyallup experienced significant staff turnover in 2024, where the primary employees responsible for financial reporting left city employment. The Financial Analyst responsible for preparing the financial statements resigned in April 2024 and the Finance Manager responsible for reviewing the statements and coordinating the audit retired in September 2024. When the audit began in late October, it was with employees new to both positions. As we worked through the audit, the knowledge loss became very evident. It also became clear that the documentation supporting preparation of the financial statements was insufficient to support certain transactions and staff was unable to locate year-end bank reconciliations.

Further complicating the audit was the general ledger conversion in April 2023 and the change in utility billing systems in October 2023. The new utility billing system recorded financial activities differently than the previous system, resulting in errors in the financial statements submitted for audit. While the financial statements were subsequently corrected, we were not able to reflect those changes in the general ledger as 2023 had already been closed in the financial system.

Continued training for the Finance Manager and Financial Analyst is a top priority. Checklists for preparation and review of the financial statements are under review and will be updated to provide greater clarity regarding key processes, as well as documentation standards. Until staff is further along in their training, the Finance Director will take primary responsibility for review of the financial statements.

The City takes its financial responsibilities very seriously and understands the importance of producing accurate and reliable financial statements. The City staff appreciate the assistance and support of the State Auditor's Office through this difficult audit and as we continue to pursue ongoing professional excellence.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The *Budgeting, Accounting and Reporting System* (BARS) Manual, 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

2023-002 The City did not have adequate internal controls and did not comply with federal suspension and debarment requirements.

Assistance Listing Number and Title:	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of 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

Background

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 \$2,135,269 in program funds for these activities.

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 the contractors are not 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.

Description of Condition

Our audit found the City did not have adequate controls in place to verify one of three contractors 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

City staff thought the suspension and debarment clause included in a contract with another contractor applied to this contractor, which was included in the scope of work outlined in the other contractor's contract.

Effect of Condition

The City did not obtain a written certification from the contractor, insert a clause into the contract or check for exclusion records at SAM.gov to verify the contractor was not suspended or debarred before contracting.

Without adequate internal controls, the City increases its risk of awarding federal funds to contractors that are excluded from participating in federal programs. Any payments the City made to an ineligible party would be unallowable, and the awarding agency could potentially recover them.

We subsequently verified the contractor was not suspended or debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the City strengthen internal controls to verify 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 maintain documentation demonstrating compliance with this requirement.

City's Response

In this situation, the contractor was intended to be a subcontractor performing work included in the scope of work outlined in a contract with another primary contractor. The contract with the primary contractor included a suspension and debarment clause. However, staff processed payment to the subcontractor directly, which required separate suspension and debarment verification. The City has taken steps to clarify its contracting practices with staff and ensure verification of suspension and debarment for purchases using federal funds. In addition, the City will be providing mandatory procurement training this year for all staff responsible for purchasing and contracting, which will include suspension and debarment requirements.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action 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 on Agencies on Governmentwide Department 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 Puyallup January 1, 2023 through December 31, 2023

Council
City of Puyallup
Puyallup, 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 Puyallup, 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 May 8, 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. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001 that we consider to be a significant deficiency.

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*.

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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Pat McCarthy, State Auditor

Olympia, WA

May 8, 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 Puyallup January 1, 2023 through December 31, 2023

Council
City of Puyallup
Puyallup, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Puyallup, 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 is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-002. 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 2023-002, 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

May 8, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

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

Council
City of Puyallup
Puyallup, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Puyallup, 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 Puyallup, 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 Puyallup, as of December 31, 2023, 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.

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 May 8, 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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

May 8, 2025

FINANCIAL SECTION

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

		Total for All Funds (Memo Only)	001 General	112 WA Opioid Settlements	115 Seizure and Forfeiture
Beginning Cash and Investments					
308	Beginning Cash and Investments	106,594,606	24,263,725	-	168,314
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	49,334,042	44,360,634	-	-
320	Licenses and Permits	1,865,914	1,841,377	-	-
330	Intergovernmental Revenues	8,290,343	3,720,437	-	-
340	Charges for Goods and Services	55,798,996	4,072,524	-	-
350	Fines and Penalties	3,611,466	3,425,846	-	-
360	Miscellaneous Revenues	7,178,230	1,398,196	96,027	165,669
Total Revenues:		126,078,991	58,819,014	96,027	165,669
Expenditures					
510	General Government	26,102,796	6,844,476	-	-
520	Public Safety	28,782,999	28,130,439	-	80,560
530	Utilities	20,429,765	777,079	-	-
540	Transportation	4,719,223	961,499	-	-
550	Natural/Economic Environment	7,655,938	6,883,635	-	-
560	Social Services	741,289	621,741	-	-
570	Culture and Recreation	9,453,842	8,264,312	-	-
Total Expenditures:		97,885,852	52,483,181	-	80,560
Excess (Deficiency) Revenues over Expenditures:		28,193,139	6,335,833	96,027	85,109
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	24,098,030	778,442	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	369,898	68,604	-	-
Total Other Increases in Fund Resources:		24,467,928	847,046	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	14,806,486	520,447	-	-
591-593, 599	Debt Service	4,836,134	232,935	-	-
597	Transfers-Out	24,098,030	10,058,389	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	(39,889)	38,561	-	-
Total Other Decreases in Fund Resources:		43,700,761	10,850,332	-	-
Increase (Decrease) in Cash and Investments:		8,960,306	(3,667,453)	96,027	85,109
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	15,679,213	-	96,027	253,423
50841	Committed	220,309	101,080	-	-
50851	Assigned	87,924,561	8,763,317	-	-
50891	Unassigned	11,730,038	11,730,979	-	-
Total Ending Cash and Investments		115,554,121	20,595,376	96,027	253,423

The accompanying notes are an integral part of this statement.

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

		118 DUI Cost Recovery	119 American Rescue Plan Act	131 Affordable Housing	141 Motel Tax
Beginning Cash and Investments					
308	Beginning Cash and Investments	140,187	9,190,596	523,578	2,230,218
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	190,851	1,701,775
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	40,745	-	-	-
340	Charges for Goods and Services	99,772	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	5,847	432,965	25,893	115,247
Total Revenues:		146,364	432,965	216,744	1,817,022
Expenditures					
510	General Government	-	29,378	-	-
520	Public Safety	157,945	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	694,193
560	Social Services	-	119,548	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		157,945	148,926	-	694,193
Excess (Deficiency) Revenues over Expenditures:		(11,581)	284,039	216,744	1,122,829
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	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	17,453	295,844	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	1,670,142	-	31,366
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		17,453	1,965,986	-	31,366
Increase (Decrease) in Cash and Investments:		(29,034)	(1,681,947)	216,744	1,091,463
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	111,154	7,508,649	740,322	3,321,681
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		111,154	7,508,649	740,322	3,321,681

The accompanying notes are an integral part of this statement.

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

		161 Trial Court Improvement	171 LIFT Program	180 REET 1st 1/4%	190 REET 2nd 1/4%
Beginning Cash and Investments					
308	Beginning Cash and Investments	10,617	4,360,187	2,259,331	2,264,427
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	1,000,000	754,250	754,249
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	21,354	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	702	201,210	114,108	114,343
Total Revenues:		22,056	1,201,210	868,358	868,592
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:		22,056	1,201,210	868,358	868,592
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	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	20,000	5,203,479	2,931,000	2,931,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		20,000	5,203,479	2,931,000	2,931,000
Increase (Decrease) in Cash and Investments:		2,056	(4,002,269)	(2,062,642)	(2,062,408)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	12,673	357,918	196,689	202,019
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		12,673	357,918	196,689	202,019

The accompanying notes are an integral part of this statement.

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

		205 2003 PWTF Loan	217 2012 LTGO Ref Bond	218 2013/2014 LTGO Ref Bonds	219 2015 LTGO Ref Bond
Beginning Cash and Investments					
308	Beginning Cash and Investments	5,658	-	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	-
Total Revenues:		-	-	-	-
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:		-	-	-	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	328,843	995,100	1,567,643	702,100
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		328,843	995,100	1,567,643	702,100
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	328,843	995,150	1,568,483	702,150
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		328,843	995,150	1,568,483	702,150
Increase (Decrease) in Cash and Investments:		-	(50)	(840)	(50)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	5,658	-	-	-
50891	Unassigned	-	(50)	(841)	(50)
Total Ending Cash and Investments		5,658	(50)	(841)	(50)

The accompanying notes are an integral part of this statement.

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

		220 2014 HIA Loan	306 Parks Capital	321 Facilities Projects	330 Streets Capital
Beginning Cash and Investments					
308	Beginning Cash and Investments	500,000	2,229,408	1,707,032	12,826,422
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	572,283	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	806,929	-	1,837,661
340	Charges for Goods and Services	-	74,833	-	353,369
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	173,051	78,111	585,015
Total Revenues:		-	1,627,096	78,111	2,776,045
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	1,772,242
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	824,004	-	-
Total Expenditures:		-	824,004	-	1,772,242
Excess (Deficiency) Revenues over Expenditures:		-	803,092	78,111	1,003,803
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,571,000	574,428	14,216,841
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	1,571,000	574,428	14,216,841
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	2,145,592	489,735	3,109,642
591-593, 599	Debt Service	430,289	-	-	-
597	Transfers-Out	69,711	-	-	1,030,943
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	(26,671)
Total Other Decreases in Fund Resources:		500,000	2,145,592	489,735	4,113,914
Increase (Decrease) in Cash and Investments:		(500,000)	228,500	162,804	11,106,730
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	2,457,908	-	-
50841	Committed	-	-	-	119,229
50851	Assigned	-	-	1,869,835	23,813,922
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	2,457,908	1,869,835	23,933,151

The accompanying notes are an integral part of this statement.

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

		401 Landfill Mitigation	411 Water	412 Wastewater	422 Storm & Surface Water
Beginning Cash and Investments					
308	Beginning Cash and Investments	967,059	5,587,619	21,590,969	10,033,821
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	24,001	536	-
330	Intergovernmental Revenues	-	-	-	456,791
340	Charges for Goods and Services	349,916	8,612,620	13,559,985	6,871,136
350	Fines and Penalties	3,250	47,607	97,553	37,210
360	Miscellaneous Revenues	47,183	670,422	1,372,492	802,315
Total Revenues:		400,349	9,354,650	15,030,566	8,167,452
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	5,852,103	8,725,810	5,074,773
540	Transportation	-	-	-	-
550	Natural/Economic Environment	78,110	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		78,110	5,852,103	8,725,810	5,074,773
Excess (Deficiency) Revenues over Expenditures:		322,239	3,502,547	6,304,756	3,092,679
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,269,973	93,404	80,782
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	36,590	-	-
Total Other Increases in Fund Resources:		-	1,306,563	93,404	80,782
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,687,951	2,549,715	1,486,051
591-593, 599	Debt Service	-	-	335,950	11,425
597	Transfers-Out	-	9,000	109,000	9,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	(7,709)	(15,052)	(33,581)
Total Other Decreases in Fund Resources:		-	1,689,242	2,979,613	1,472,895
Increase (Decrease) in Cash and Investments:		322,239	3,119,868	3,418,547	1,700,566
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	420,750	-
50841	Committed	-	-	-	-
50851	Assigned	1,289,298	8,707,487	24,588,766	11,734,387
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,289,298	8,707,487	25,009,516	11,734,387

The accompanying notes are an integral part of this statement.

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

		430 Pioneer Park Pavilion	501 Equipment Rental	502 Insurance	503 Information Technology
Beginning Cash and Investments					
308	Beginning Cash and Investments	120,019	2,126,746	580,261	(277,061)
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	1,406,426
340	Charges for Goods and Services	-	2,895,603	3,481,271	3,941,670
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	387,639	112,700	20,917	19,809
Total Revenues:		387,639	3,008,303	3,502,188	5,367,905
Expenditures					
510	General Government	-	-	3,553,274	3,573,619
520	Public Safety	-	-	-	414,055
530	Utilities	-	-	-	-
540	Transportation	-	1,985,482	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	365,526	-	-	-
Total Expenditures:		365,526	1,985,482	3,553,274	3,987,674
Excess (Deficiency) Revenues over Expenditures:		22,113	1,022,821	(51,086)	1,380,231
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	789,474
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	4,788	77,669	36,816	-
Total Other Increases in Fund Resources:		4,788	77,669	36,816	789,474
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	1,454,673	-	1,030,557
591-593, 599	Debt Service	-	-	-	130,538
597	Transfers-Out	-	-	-	25,000
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	4,563	-	-	-
Total Other Decreases in Fund Resources:		4,563	1,454,673	-	1,186,095
Increase (Decrease) in Cash and Investments:		22,338	(354,183)	(14,270)	983,610
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	-	-	-	-
50851	Assigned	142,358	1,772,563	565,991	706,608
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		142,358	1,772,563	565,991	706,608

The accompanying notes are an integral part of this statement.

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

		504 Healthcare Insurance	505 Facility Maintenance
Beginning Cash and Investments			
308	Beginning Cash and Investments	3,097,659	87,814
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	8,679,631	2,806,666
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	236,171	2,198
Total Revenues:		8,915,802	2,808,864
Expenditures			
510	General Government	9,452,823	2,649,226
520	Public Safety	-	-
530	Utilities	-	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		9,452,823	2,649,226
Excess (Deficiency) Revenues over Expenditures:		(537,021)	159,638
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	700,000	430,000
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	145,431	-
Total Other Increases in Fund Resources:		845,431	430,000
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	18,826
591-593, 599	Debt Service	-	100,371
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		-	119,197
Increase (Decrease) in Cash and Investments:		308,410	470,441
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	3,406,069	558,302
50891	Unassigned	-	-
Total Ending Cash and Investments		3,406,069	558,302

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	123,511	123,511
388 & 588	Net Adjustments	-	-
310-390	Additions	1,112,423	1,112,423
510-590	Deductions	756,147	756,147
	Net Increase (Decrease) in Cash and Investments:	356,276	356,276
508	Ending Cash and Investments	479,787	479,787

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Puyallup was incorporated on August 19, 1890 and operates under the laws of the State of Washington applicable to a non-charter code city with a council-manager form of government. The City is a general-purpose local government and provides a wide range of municipal services, including police, engineering, parks and recreation, library, cemetery, street, and administrative services. The City also owns and operates water, wastewater, storm and surface water, and sanitation utility systems.

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 are presented using the classifications that are similar to the ending balance classification 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

The **General 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.

The **Special Revenue Funds** account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

The **Debt Service 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.

The **Capital Projects 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

The **Enterprise Funds** account for operations that provide goods or services to the general public and are supported primarily through user charges.

The **Internal Service Funds** account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES

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

The **Pension (and Other Employee Benefit) Trust Funds** are used to report fiduciary activities for pension and OPEB plans administered through trust.

The **Custodial 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

The 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* for additional details.

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 two years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Vacation leave accumulates at various rates, depending upon date of hire, contract and City policy. Vacation leave is payable upon termination of employment. Sick leave accumulates at four hours per pay period. Employees may receive some or all accumulated sick leave upon termination of employment, depending upon date of hire, contract and City policy. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6, *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 it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments are as follows:

2023 Restrictions and Commitments of Ending Cash and Investments							
Fund	General Fund	Debt Service	Special Revenue	Parks Capital Impr	Unspent Development Fees	Fiduciary	Total
Restricted for:	\$ -	\$ 420,750	\$ 12,800,555	\$ 2,457,908	\$ -	\$ 479,787	\$ 16,159,000
112 WA Opioid Settlements			96,027				96,027
115 Seizure and Forfeiture	-	-	253,423	-	-	-	253,423
118 DUI Cost Recovery	-	-	111,154	-	-	-	111,154
119 American Rescue Plan Act	-	-	7,508,649	-	-	-	7,508,649
131 Affordable Housing	-	-	740,322	-	-	-	740,322
141 Motel Tax	-	-	3,321,681	-	-	-	3,321,681
161 Trial Court Improvement	-	-	12,673	-	-	-	12,673
171 LIFT Program	-	-	357,918	-	-	-	357,918
180 1st 1/4% Real Estate Excise Tax	-	-	196,689	-	-	-	196,689
190 2nd 1/4% Real Estate Excise Tax	-	-	202,020	-	-	-	202,020
306 Parks Capital Improvement	-	-	-	2,457,908	-	-	2,457,908
412 Wastewater	-	420,750	-	-	-	-	420,750
625 Court Custodial	-	-	-	-	-	151,763	151,763
627 Misc Custodial	-	-	-	-	-	328,024	328,024
Committed for:	101,080	-	-	-	119,229	-	220,309
330 Street	-	-	-	-	119,229	-	119,229
001 General Fund	101,080	-	-	-	-	-	101,080
Total Restricted and Committed	\$ 101,080	\$ 420,750	\$ 12,800,555	\$ 2,457,908	\$ 119,229	\$ 479,787	\$ 16,379,309

NOTE 2 - BUDGET COMPLIANCE

The City adopts biennial appropriated budgets for the general, special revenue, enterprise, internal service and fiduciary 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.

Budgets for debt service and capital projects funds are adopted at the level of the individual debt issue or project for fiscal periods that correspond to the lives of debt issues or projects and are not required to be re-appropriated each year.

Biennial 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:

			2023					
		Original	Less: Budget		Plus: Budget	Final	Actual	
Fund	Fund	Adopted Budget	Intrafund Transfers	Adjustments	Adjusted Budget	Expenditures	Variance	
0010	General Fund	\$ 53,579,540	\$ 4,853,000	\$ 11,988,476	\$ 60,715,016	\$ 63,333,513	\$ (2,618,497)	
	Special Revenue Funds:							
1120	WA Opioid Settlements	-	-	-	-	-		
1150	Seizure and Forfeiture	69,250	-	-	69,250	80,560	(11,310)	
1180	DUI Cost Recovery	18,350	-	-	18,350	175,398	(157,048)	
1190	American Rescue Plan ARPA	-	-	5,915,119	5,915,119	2,114,912	3,800,207	
1310	Affordable Housing	-	-	-	-	-	-	
1410	Motel Tax	1,213,920	-	-	1,213,920	725,559	488,361	
1610	Trial Court Improvement	-	-	20,000	20,000	20,000	-	
1710	LIFT Program	-	-	900,000	900,000	5,203,479	(4,303,479)	
3070	1st 1/4% Real Estate Excise Tax	-	-	2,800,000	2,800,000	2,931,000	(131,000)	
3100	2nd 1/4% Real Estate Excise Tax	-	-	2,800,000	2,800,000	2,931,000	(131,000)	
	Debt Service Funds:							
2050	2003 Trust Fund Loan	328,850	-	-	328,850	328,843	7	
2170	2012 LTGO Bonds	995,800	-	-	995,800	995,150	650	
2180	2007/2013/2014 LTGO Bonds	1,568,600	-	-	1,568,600	1,568,483	117	
2190	2008/2015 LTGO Bonds	702,800	-	-	702,800	702,150	650	
2200	2014 HIA Loan	-	-	-	-	500,000	(500,000)	
	Capital Project Funds							
3060	Parks Capital Improvement	817,640	2,561,968	6,963,214	5,218,886	2,969,596	2,249,290	
3210	Facility Projects	-	179,878	964,306	784,428	489,735	294,693	
3300	Street	8,535,053	13,611,013	27,183,436	22,107,476	5,886,156	16,221,320	
	Enterprise Funds							
4010	Sanitation	304,100	-	-	304,100	78,110	225,990	
4110	Water	12,522,729	6,898,625	10,881,700	16,505,804	7,541,345	8,964,459	
4120	Wastewater	14,409,781	21,118,324	21,456,266	14,747,723	11,705,423	3,042,300	
4220	Storm and Surface Water	10,982,417	9,676,980	12,747,129	14,052,566	6,547,668	7,504,898	
4300	Pioneer Park Pavilion	344,150	-	-	344,150	370,089	(25,939)	
	Internal Service Funds							
5010	Equipment Rental	3,367,980	-	-	3,367,980	3,440,155	(72,175)	
5020	Insurance	3,105,390	-	-	3,105,390	3,553,274	(447,884)	
5030	Information Technology	4,346,080	345,990	1,880,980	5,881,070	5,173,769	707,301	
5040	Healthcare Insurance	8,959,380	-	-	8,959,380	9,452,823	(493,443)	
5050	Facility Maintenance	3,275,400	-	-	3,275,400	2,768,423	506,977	
		\$ 129,447,210	\$ 59,245,778	\$ 106,500,626	\$ 176,702,058	\$ 141,586,613	\$ 35,115,445	

Budget adjustments are made periodically throughout the year when changes in fund appropriations are necessary. Transfers between departments within any one fund may be made by order of the City Manager. 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 Council.

As part of the budget amendment process, unexpended portions of continuing capital project budgets are carried over into the new fiscal year. This simplifies reporting and control of these budgets.

Intrafund transfers, or transfers within the same fund, are also included in the total adopted budgets for managerial control but have been excluded from actual expenditures.

NOTE 3 – DEPOSITS AND INVESTMENTS

Investments are reported at original cost. Investments by type on December 31, 2023 are as follows:

Type of Deposit or Investment	City of Puyallup	
	own deposits and investments	Total
Bank Deposits	\$ 17,272,731	\$ 17,272,731
Certificates of Deposit	-	-
Local Government Investment Pool	98,761,178	98,761,178
US Government Securities	-	-
Total Cash and Investments	\$ 116,033,908	\$ 116,033,908

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

Investments in the State Local Government Investment Pool (LGIP)

The City 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 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

Custodial credit risk for deposits is the risk that, in event of a failure of 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 – 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 of Puyallup's regular levy for the year 2023 was \$0.9829 per \$1,000 on an assessed valuation of \$10,001,391,630 for a total regular levy of \$9,830,354.

The City's regular levy limit for the year 2022 was \$1.134 per \$1,000 of assessed value.

NOTE 5 – LEASES

The City leases small equipment for \$439 per month under lease agreements for 60 and 63 months respectfully. The leases began in 2020 and 2021 and will end in 2025 and 2026.

The City leases building space for our Municipal Court. The current monthly lease amount is \$17,404 which includes a 10.13% share of operating costs. The lease began on 1/1/2019 for 60 months with an annual increase not to exceed 3% and an annual review and reallocation of operating costs. There is a one-time option to extend the lease for an additional 54-month term and it is very likely the City will exercise this extension option. The current lease including the extension period will expire on June 30, 2028.

The City leases space from the Mt. Rainier Credit Union for police business. The initial lease was for 3 years beginning 6/1/2017 at \$400 per month with an annual increase \$50. We have renewed the lease on a year-to-year basis since 2020. The current monthly lease payment is \$550 per month and the term expires on 5/31/2024, however, we have elected to renew annually so it is likely we will renew for 2025.

Lastly, the City leases water tank space from Mt. View-Edgewood Water Co. for an 800 MHz radio tower for \$2,228 per month with an annual 3% increase. The 5-year lease began in 2020 with the option to renew up to three (3) additional five (5) year terms. We have elected to renew the previous lease agreement options so it is likely we will continue to renew for the additional terms within the current lease.

The total amount paid for leases in 2023 was \$258,095. As of December 31, 2023, the future lease payments are as follows:

Year ended December 31	Total
2024	266,512
2025	263,552
2026	264,692
2027	267,784
2028	193,277
2029-2033	173,295
2034-2038	200,896
2039-2040	89,049
Total	\$ 1,719,058

NOTE 6 – LONG-TERM DEBT

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

The debt service requirements for general obligation bonds, revenue bonds, and loans are as follows:

Year	Principal	Interest	Total
2024	3,363,968	361,144	3,725,112
2025	2,487,666	249,746	2,737,412
2026	2,460,000	164,163	2,624,163
2027	955,000	78,000	1,033,000
2028	995,000	39,800	1,034,800
Totals	\$ 10,261,633	\$ 892,852	\$ 11,154,486

NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The LEOFF 1 Retiree Healthcare Plan is a closed, single-employer defined-benefit OPEB plan administered by the City of Puyallup as required by RCW 41.26. The plan pays for 100% of eligible retiree's healthcare costs on a pay-as-you-go basis. As of December 31, 2023, the plan had 29 members, all retirees. As of December 31, 2023, the City of Puyallup's total OPEB liability was \$14,280,721 as calculated using the alternative measurement method. For the year ended December 31, 2023, the City of Puyallup paid \$398,515 in benefits.

NOTE 8 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Puyallup 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)
Public Safety Employees' Retirement System (PSERS)
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 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
P.O. Box 48380
Olympia, WA 98540-8380

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

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

Plan	Employer Contributions	Allocation Percentage	Liability (Asset)
PERS 1	\$ 803,547	0.117920%	\$ 2,691,798
PERS 2/3	1,257,969	0.143079%	(5,864,346)
PSERS 2	74,475	0.147912%	(156,844)
LEOFF 1	-	0.084034%	(2,494,149)
LEOFF 2	557,994	0.247210%	(5,929,574)

LEOFF Plan 1

The City also participates in 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.

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.

B. Firemen's Pension Plan

The City also administers a closed, single-employer, defined benefit pension plan called the Firemen's Pension Plan. This system was established by the City under Chapters 41.16 and 41.18 RCW. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to firemen employed by the City prior to March 1, 1970, when the LEOFF retirement system was established. All benefits are financed from member contributions made prior to LEOFF, investment earnings, an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums, and City contributions. As of December 31, 2023, there were a total of eight individuals covered by this system and drawing benefits, none of which are still employed by the City.

The City's liability under the plan is composed of all benefits for firemen retired prior to March 1, 1970, and excess benefits over LEOFF for covered firemen retired after March 1, 1970, who are mainly covered by the LEOFF system (described above).

An actuarial valuation for the Firemen's Pension Plan was updated in 2022 by Milliman. The valuation projected future payouts beyond 2023 of \$3,188,000 in nominal dollars. Total plan assets were \$1,051,085 as of December 31, 2023. The total projected payouts less the plan assets result in a cash basis equivalent of net pension liability of \$2,901,000 as reported on the Schedule of Liabilities.

The funding plan for this obligation is adjusted as appropriate each year in the budget process. The latest funding plan update maintains the maximum annual City contribution was attained in 2019 at \$80,000 per year. Payouts are expected to decrease beginning in 2029.

Prior to 2018, the Firemen's Pension Plan was reported in a fiduciary fund. For the year ended December 31, 2018, the City has chosen to early implement the requirements of GASB Statement No. 84 - Fiduciary Activities and is no longer reporting the plan in a fiduciary fund.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities and requires activity meeting the criteria be reported in a fiduciary fund. It was determined that the Firemen's Pension Plan does not meet these criteria and reporting the plan in a fiduciary fund is no longer appropriate. The City is now reporting the plan as part of the General Fund.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Liability and property coverage is provided through the Washington Cities Insurance Authority (WCIA). The City is a qualified self-insurer for workers' compensation and is self-insured through the State of Washington for unemployment claims. The City is also self-insured for employee healthcare benefits.

Liability and Property

The City 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 [1]. 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.

Workers' Compensation

Beginning January 1, 2004, the City became a qualified self-insurer for workers' compensation as an alternative to the state workers' compensation program. The self-insurance program is funded by City operating funds based on established Labor and Industries rates per worked hour for employer contributions and employee deductions. An excess coverage policy is carried at a premium cost of \$104,754 for 2023. The costs of the self-insurance program for workers' compensation totaled \$811,973. in 2023. The City continues to participate in the state workers' compensation program for claims existing prior to January 1, 2004.

Unemployment

The City is self-insured through the State of Washington for unemployment claims. Claims are paid to the state on a quarterly basis and totaled \$36,332 in 2023, however, the City had a beginning credit balance of \$112 from 2022.

Healthcare

The City is self-insured for employee healthcare benefits. The Healthcare Insurance Fund was established as an internal service fund to pay medical, dental and vision healthcare claims, as well as to establish reserves for self-insurance. City operating funds contribute to the Healthcare Insurance Fund based on rates developed by an actuary. Claims exceeding \$200,000 per occurrence are covered by a stop loss policy.

NOTE 10 – CONTINGENCIES AND LITIGATION

The City of Puyallup is occasionally subjected to routine legal proceedings as it carries on with the functions of government. The City's threshold for disclosing potential losses from judgments against the City is \$50,000. While there may be potential judgments that exceed this amount, the City carries liability and property insurance through the Washington Cities Insurance Authority and also retains insurance defense counsel services.

NOTE 11 – SBITA (Lessee)

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 a subscription payment annually for Cartegraph Operations Management Software. The SBITA contract matures on 8/28/2024.

The total amount paid for SBITAs in 2023 was \$79,413. As of December 31, 2023, the future SBITA payments are as follows:

Year ended December 31	Total
2024	53,985

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2012 Refunding LTGO Bonds	12/1/2024	1,905,000	-	940,000	965,000
251.11	2013 Refunding LTGO Bonds	12/1/2026	2,650,000	-	1,405,000	1,245,000
251.11	2014 Refunding LTGO Bonds	12/1/2026	3,235,000	-	-	3,235,000
251.11	2015 Refunding LTGO Bonds	7/1/2028	3,670,000	-	555,000	3,115,000
263.83	2014 Highway Infrastructure Acct Loan	12/31/2025	430,290	-	430,290	-
263.96	2015 LOCAL Loan	12/1/2025	295,845	-	94,211	201,634
263.87	2003 Public Works Trust Fund Loan	6/1/2023	338,577	-	338,577	-
Total General Obligation Debt/Liabilities:			12,524,712	-	3,763,078	8,761,634
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2016 Refunding Revenue Bonds	11/1/2028	1,765,000	-	265,000	1,500,000
259.12	Compensated Absences Liability		3,816,121	134,326	-	3,950,447
263.57	Small Equipment	9/14/2026	13,503	-	4,417	9,086
263.57	Small Equipment	5/31/2025	4,019	-	1,663	2,356
263.57	Building Space	6/30/2028	1,301,269	-	218,079	1,083,190
263.57	Building Space	5/31/2025	9,350	6,600	6,600	9,350
263.57	Tank Space	8/31/2040	640,062	-	27,336	612,726

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
263.57	Subscription Based IT Arrangements	8/28/2024	133,398	-	79,413	53,985
264.30	State Sponsored Pension Plan Liability		3,400,074	-	708,276	2,691,798
264.30	Firemen's Pension Plan Liability		3,048,000	-	147,000	2,901,000
264.40	OPEB LEOFF 1 Retiree Healthcare Plan Liability		13,410,485	870,236	-	14,280,721
Total Revenue and Other (non G.O.) Debt/Liabilities:			27,541,281	1,011,162	1,457,784	27,094,659
Total Liabilities:			40,065,993	1,011,162	5,220,862	35,856,293

City of Puyallup
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 (via Dept of Justice)	Bulletproof Vest Partnership Program	16.607	NA	20,394	-	20,394	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via WA State Dept of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F18-31440-009	185,583	-	185,583	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington DOT)	Highway Planning and Construction	20.205	LA-9664	14,377	-	14,377	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington DOT)	Highway Planning and Construction	20.205	LA-8110	47,909	-	47,909	-	
Highway Safety Cluster				62,286	-	62,286	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA	127,971	-	127,971	-	
Total Highway Safety Cluster:				127,971	-	127,971	-	

The accompanying notes are an integral part of this schedule.

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

			Expenditures					Passed through to Subrecipients	Note
			Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
			DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	2,135,269	2,135,269
			FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E22-243	12,330	-	12,330
			FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA State Military Dept)	Emergency Management Performance Grants	97.042	E23-182	39,705	-	39,705
					Total ALN 97.042:		52,035	-	52,035
					Total Federal Awards Expended:		448,269	2,135,269	2,583,538

CITY OF PUYALLUP
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 Puyallup'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 - 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.

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE****City of Puyallup
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 over financial statement preparation to ensure complete and accurate reporting.
Name, address, and telephone of City contact person: Barbara Lopez, Finance Director 333 S Meridian Puyallup, WA 98371 (253) 841-5478	
Corrective action the auditee plans to take in response to the finding: <i>Finance experienced significant staff turnover in 2024, where both employees responsible for creating the 2023 annual financial statements left city employment prior to the audit. When the audit began in late October, the knowledge loss became very evident, and it was difficult to reconcile some transactions. Converting to a new financial system in April 2023 and utility billing system in October 2023 further complicated the audit. These factors contributed to errors in the financial statements that were submitted to SAO for audit.</i> <i>Continued training for the Finance Manager and Financial Analyst is a top priority. Existing checklists for preparation and review of the financial statements are under review and will be updated to provide greater clarity regarding key processes, as well as documentation standards to ensure supporting documents are clear and complete. While the Finance Manager receives necessary training, the Finance Director will take primary responsibility for reviewing the financial statements.</i>	
Anticipated date to complete the corrective action: 12/31/2025	

Finding ref number: 2023-002	Finding caption: The City did not have adequate internal controls and did not comply with federal suspension and debarment requirements.
Name, address, and telephone of City contact person: Barbara Lopez, Finance Director 333 S Meridian Puyallup, WA 98371 (253) 841-5478	
Corrective action the auditee plans to take in response to the finding: <i>In this situation, the contractor was intended to be a subcontractor performing work included in the scope of work outlined in a contract with another primary contractor. The contract with the primary contractor included a suspension and debarment clause. However, staff processed payment to the subcontractor directly, which required separate suspension and debarment verification. The City has taken steps to clarify its contracting practices with staff and ensure verification of suspension and debarment for purchases using federal funds. In addition, the City will be providing mandatory procurement training this year for all staff responsible for purchasing and contracting.</i>	
Anticipated date to complete the corrective action: 12/31/2025	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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