



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Sultan

For the period January 1, 2024 through December 31, 2024

Published September 18, 2025

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

September 18, 2025

Mayor and City Council
City of Sultan
Sultan, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sultan'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 Sultan January 1, 2024 through December 31, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
66.202	Congressionally Mandated Projects

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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

City of Sultan January 1, 2024 through December 31, 2024

Mayor and City Council
City of Sultan
Sultan, 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 Sultan, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 12, 2025.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy, State Auditor

Olympia, WA

September 12, 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 Sultan
January 1, 2024 through December 31, 2024

Mayor and City Council
City of Sultan
Sultan, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Sultan, 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, 2024. 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 12, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Sultan January 1, 2024 through December 31, 2024

Mayor and City Council
City of Sultan
Sultan, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Sultan, as of and for the year ended December 31, 2024, 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 Sultan, and its changes in cash and investments, for the year ended December 31, 2024, 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 Sultan, as of December 31, 2024, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Matters of Emphasis

As discussed in Note 12 to the financial statements, in 2024, the City adopted new accounting guidance for presentation and disclosure of compensated absences, as required by the BARS manual. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Supplementary Information

Our 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 September 12, 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 written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

September 12, 2025

FINANCIAL SECTION

City of Sultan January 1, 2024 through December 31, 2024

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2024
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2024
Schedule of Expenditures of Federal Awards – 2024
Notes to the Schedule of Expenditures of Federal Awards – 2024

City of Sultan
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 STREET FUND	103 CEMETERY FUND
Beginning Cash and Investments					
308	Beginning Cash and Investments	37,168,682	5,017,013	274,842	414,188
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	4,136,958	2,932,778	413,572	33,616
320	Licenses and Permits	499,361	488,759	10,602	-
330	Intergovernmental Revenues	1,639,632	271,099	127,744	-
340	Charges for Goods and Services	8,080,099	232,217	-	52,221
350	Fines and Penalties	24,398	15,808	-	-
360	Miscellaneous Revenues	3,372,391	376,342	12,648	17,335
Total Revenues:		17,752,839	4,317,003	564,566	103,172
Expenditures					
510	General Government	2,020,065	2,019,917	-	-
520	Public Safety	659,464	659,464	-	-
530	Utilities	4,651,343	-	-	65,844
540	Transportation	485,666	-	485,666	-
550	Natural/Economic Environment	894,865	894,865	-	-
560	Social Services	13,091	13,091	-	-
570	Culture and Recreation	454,065	454,065	-	-
Total Expenditures:		9,178,559	4,041,402	485,666	65,844
Excess (Deficiency) Revenues over Expenditures:		8,574,280	275,601	78,900	37,328
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	3,189,422	-	-	-
397	Transfers-In	1,978,177	308,996	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	47,134	14,957	-	-
Total Other Increases in Fund Resources:		5,214,733	323,953	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	11,129,617	110,605	1,822	-
591-593, 599	Debt Service	1,078,852	1,440	-	-
597	Transfers-Out	1,978,177	1,479	14,611	1,565
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	12,380	-	-	-
Total Other Decreases in Fund Resources:		14,199,026	113,524	16,433	1,565
Increase (Decrease) in Cash and Investments:		(410,013)	486,030	62,467	35,763
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	10,785,882	-	-	-
50841	Committed	449,951	-	-	449,951
50851	Assigned	20,019,793	-	337,309	-
50891	Unassigned	5,503,043	5,503,043	-	-
Total Ending Cash and Investments		36,758,669	5,503,043	337,309	449,951

The accompanying notes are an integral part of this statement.

City of Sultan
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		108 TRAFFIC IMPACT FEE FUND	112 PARK IMPACT FEE FUND	117 TIMBER RIDGE SETTLEMENT	203 LIMITED GO TAX BOND FUND
Beginning Cash and Investments					
308	Beginning Cash and Investments	3,958,914	1,278,279	47,575	20,059
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	640,131	236,699	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	176,418	67,150	1,917	1,772
Total Revenues:		816,549	303,849	1,917	1,772
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:		816,549	303,849	1,917	1,772
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	217,702
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	217,702
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	217,702
597	Transfers-Out	-	1,450,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	1,450,000	-	217,702
Increase (Decrease) in Cash and Investments:		816,549	(1,146,151)	1,917	1,772
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	4,775,463	132,128	49,492	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	21,831
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		4,775,463	132,128	49,492	21,831

The accompanying notes are an integral part of this statement.

City of Sultan
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		205 POLICE GO BOND FUND	207 LID GUARANTY AND BOND	301 CAPITAL PROJECT FUND - REET 1	302 CAPITAL PROJECT FUND - REET 2
Beginning Cash and Investments					
308	Beginning Cash and Investments	20,834	200	1,521,001	1,651,624
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	8,545	-	376,578	371,869
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	820	606	68,542	73,320
Total Revenues:		9,365	606	445,120	445,189
Expenditures					
510	General Government	148	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		148	-	-	-
Excess (Deficiency) Revenues over Expenditures:		9,217	606	445,120	445,189
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,479	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,479	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	31,530	-	-	-
597	Transfers-Out	-	-	110,605	217,702
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		31,530	-	110,605	217,702
Increase (Decrease) in Cash and Investments:		(20,834)	606	334,515	227,487
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	806	1,855,516	1,879,111
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	806	1,855,516	1,879,111

The accompanying notes are an integral part of this statement.

City of Sultan
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		303 STREET IMPROVEMENT FUND	305 PARK IMPROVEMENT FUND	400 WATER UTILITY FUND	401 SEWER UTILITY FUND
Beginning Cash and Investments					
308	Beginning Cash and Investments	2,084,505	779,197	7,709,939	11,446,723
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	109,493	103,000	28,296	1,000,000
340	Charges for Goods and Services	-	-	3,079,542	3,014,780
350	Fines and Penalties	-	-	8,590	-
360	Miscellaneous Revenues	80,756	4,823	815,897	1,634,657
Total Revenues:		190,249	107,823	3,932,325	5,649,437
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	2,293,564	1,911,648
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	2,293,564	1,911,648
Excess (Deficiency) Revenues over Expenditures:		190,249	107,823	1,638,761	3,737,789
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	3,189,422
397	Transfers-In	-	1,450,000	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	2,250	-
Total Other Increases in Fund Resources:		-	1,450,000	2,250	3,189,422
Other Decreases in Fund Resources					
594-595	Capital Expenditures	281,672	2,236,736	3,205,646	5,272,514
591-593, 599	Debt Service	-	-	345,132	298,882
597	Transfers-Out	-	-	85,020	68,220
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		281,672	2,236,736	3,635,798	5,639,616
Increase (Decrease) in Cash and Investments:		(91,423)	(678,913)	(1,994,787)	1,287,595
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,993,082	100,284	-	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	5,715,152	12,734,318
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,993,082	100,284	5,715,152	12,734,318

The accompanying notes are an integral part of this statement.

City of Sultan
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		406 STORMWATER UTILITY FUND	515 EQUIPMENT FUND
Beginning Cash and Investments			
308	Beginning Cash and Investments	216,908	726,881
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	556,828	267,681
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	13,303	26,085
Total Revenues:		570,131	293,766
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	380,287	-
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		380,287	-
Excess (Deficiency) Revenues over Expenditures:		189,844	293,766
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	-	29,927
Total Other Increases in Fund Resources:		-	29,927
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	20,622
591-593, 599	Debt Service	3,176	180,990
597	Transfers-Out	28,975	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	12,380	-
Total Other Decreases in Fund Resources:		44,531	201,612
Increase (Decrease) in Cash and Investments:		145,313	122,081
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	362,221	848,962
50891	Unassigned	-	-
Total Ending Cash and Investments		362,221	848,962

The accompanying notes are an integral part of this statement.

City of Sultan
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024

		Custodial
308	Beginning Cash and Investments	9,108
388 & 588	Net Adjustments	-
310-390	Additions	26,119
510-590	Deductions	28,132
	Net Increase (Decrease) in Cash and Investments:	(2,013)
508	Ending Cash and Investments	7,095

The accompanying notes are an integral part of this statement.

CITY OF SULTAN
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2024

Note 1 - Summary of Significant Accounting Policies

The City of Sultan was incorporated in 1905 and operates under the laws of the State of Washington applicable to a Code City with a Mayor/Council form of government. The City is a general-purpose local government and provides public safety, health and social services, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates a cemetery, sewer system, water system, and stormwater system.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government. Cemetery Fund 103 and Street Fund 101 track all activities for these services. Also, Park Impact Fee Fund 112 and Traffic Impact fee Fund 108 are used to track developer paid fees to fund transportation and park improvements necessitated by economic development and growth within the jurisdiction. Timber Ridge Settlement Fund 117 tracks the insurance fund and expenditures connected to infrastructure failures in the Timber Ridge Plat.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt. Limited Tax GO Bond Fund 203 tracks the 2019 issue of \$2,528,000 in limited tax general obligation (LTGO) bonds for Street and facility improvements. The Police GO Bond Fund 205 tracks the excess levy to pay for the 2004 purchase of the 800 MHZ communication system and capital improvements to the Police Station. The police bonds were paid in full during 2024. LID Bond Fund 207 tracks the Local Improvement District project for the sewer line from the Sultan Basin Road to Rice Road constructed in 1997. Although the bond was paid by the City in 2021, to reduce interest costs, customers are still paying on the LID and the funds are returned to the Sewer Fund 401.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets. Park Improvement Fund 305 and Street Improvement Fund 303 are used to track capital projects for parks and streets respectively. Capital Project Fund 301 REET 1 tracks Sultan levied ¼% of real estate excise taxes per Revised Code of Washington 82.46. Growth Management Act authorizes another ¼% real estate excise tax REET 2 to be used primarily for financing capital facilities specified in the City's capital facilities plan. Activity related to this are recorded in Capital Project Fund REET 2 fund 302.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Water Fund 400, Sewer Fund 401, and Stormwater Fund 406 include all activities related to these services.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis. Equipment Fund 515 is used to fund equipment replacement purchases.

FIDUCIARY FUND TYPES:

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

Custodial Funds

These funds are used to account for assets that the government holds on behalf of others in a custodial capacity. Treasurer Trust Fund 633 includes: State building code fees, Leasehold Excise Taxes, Fire Marshal Fees and Court Remittances.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid. In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. For further information see Note 3 – *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to a maximum of two years-worth of vacation leave based on the employee's current accrual rate and is payable upon separation or retirement. Sick leave may be accumulated 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditure when paid. Calculations of compensated absences do include an estimate for use of sick leave according to GASB 101 implemented in 2024. This is a change in accounting estimate from the prior year.

F. Long-Term Liabilities

See Note 4 – Long-Term Liabilities

G. Leases and Subscription Based Information Technology Arrangements (SBITA)

Leases are reported as liabilities if the total payments over the life of the lease is more than \$1,000. SBITAs are reported as liabilities if the total payments over the life of the SBITA is more than \$1,000. For more information see Note 5 – Leases and Note 10 – SBITA.

H. 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 City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Committed			
103	Cemetery Fund	Ordinance	\$ 449,951
		Total Committed	\$ 449,951
Restricted			
108	Transportation Impact Fee Fund	RCW	\$ 4,775,463
112	Park Impact Fee Fund	RCW	\$ 132,128
117	Timber Ridge Settlement	Legal	\$ 49,492
207	LID Guaranty Fund	Bond Requirements	\$ 806
301	Capital Project Fund REET 1	RCW	\$ 1,855,516
302	Capital Project Fund REET 2	RCW	\$ 1,879,111
303	Street Improvement Fund	RCW Impact Fees	\$ 1,993,082
305	Park Improvement Fund	RCW Impact Fees	\$ 100,284
		Total Restricted	\$ 10,785,882

Note 2 - Budget Compliance

The city adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level, including the General fund that was reported by the department in prior years. The budget constitutes the legal authority for expenditure at that level. Annual appropriations for these funds lapse at the fiscal year end. Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. For reporting purposes, management funds have been combined into a single fund. The following funds have been combined:

General Fund combines managerial funds: 001, 100, 109, 113, 114 and 115

Water fund combines managerial funds: 400, 405, 409, 412 and 403 water portion revenue bonds

Sewer fund combines managerial funds: 401, 404, 407, 413 and 403 sewer portion revenue bonds

Stormwater fund combines managerial funds: 406, 410, 416 (new debt fund for interfund loan)

Cemetery fund (103) combines 103 special revenue fund with 621

CR Equipment fund (515): is managerial fund 315

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

EXPENDITURES

Fund	Department Name	Original Budget	Final Appropriated	Actual Expenditures	Variance
001	General Fund	5,027,862	5,694,650	3,712,126	1,982,524
100	Contingency Fund	-	-	-	-
109	Community Improvement	12,500	17,500	15,522	1,978
113	Building Maintenance	369,205	463,205	272,117	191,088
114	IT Fund	266,222	266,222	140,718	125,504
115	Insurance Claim Fund	10,000	22,090	14,443	7,647
	Total General Fund	5,685,789	6,463,667	4,154,927	2,308,740
400	Water Utility Fund	2,985,429	3,200,429	2,378,375	822,054
405	CR Water Fund	2,427,869	2,427,869	-	2,427,869
409	Water System Improvement	15,006,000	15,006,000	3,205,646	11,800,354
412	Water System Debt Fund	345,650	345,650	345,342	308
	Sub Total Water Utility Fund	20,764,948	20,979,948	5,929,363	15,050,585
401	Sewer Utility	3,581,455	3,581,455	2,000,137	1,581,318
404	CR Sewer	-	-	-	-
407	Sewer System Improvement	11,850,000	11,850,000	5,252,106	6,597,894
413	Sewer Debt Service	1,280,705	1,280,705	299,021	981,684
	Sub Total Sewer Utility Fund	16,712,160	16,712,160	7,551,264	9,160,896
406	Stormwater Utility	478,723	488,860	409,262	79,598
410	Storm System Improvement	-	-	-	-
416	Stormwater Debt Service	15,556	15,557	15,556	1
	Sub Total Stormwater Utility Fund	494,279	504,417	424,818	79,599
101	Street Fund	575,912	601,912	502,099	99,813
103	Cemetery Fund	82,590	82,590	67,409	15,181
621	Cemetery Trust Fund	0	-	-	-
108	Transportation Impact Fees	0	-	-	-
112	Park Impact Fees	653,000	1,572,000	1,450,000	122,000
117	Timber Ridge Settlement	-	-	-	-
203	Limited GO Tax Bond Fund	217,702	217,702	217,702	1
205	Police GO Bond Fund	32,280	33,280	31,678	1,602
207	LID Guaranty and Bond	61,030	61,030	-	61,030
301	Capital Project fund REET 1	195,000	195,000	110,605	84,395
302	Capital Project fund REET 2	217,702	217,702	217,702	-
303	Street Improvement fund	641,900	741,592	281,672	459,920
305	Park Improvement Fund	1,922,000	2,398,000	2,236,736	161,264
315	CR Equipment Fund	382,769	423,986	201,612	222,374
403	Sewer & Water Portions of Revenue Bonds	0	-	-	-
	Sub Total of Other Funds	4,981,885	6,544,794	5,317,214	1,227,580
	GRAND TOTAL ALL FUNDS	\$ 48,639,061	\$ 51,204,986	\$ 23,377,586	\$27,827,400

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee

positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body.

Note 3 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2024 are as follows:

Type of deposit or investment	City's own deposits and investments	Fiduciary Fund deposits and investments held by the City as a custodian for other local governments, individuals, or private organizations	Total deposits and investments
Bank deposits	\$2,806,072	\$7,095	\$2,813,167
Savings/Money Market	\$101,632	\$0	\$101,632
Local Government Investment Pool	\$33,353,619	\$0	\$33,353,619
U.S. Government securities	\$497,346	\$0	\$497,346
Total	\$36,758,669	\$7,095	\$36,765,764

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 by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

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

Custodial Credit Risk

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

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

Note 4 – Long-Term Liabilities *(formerly Long-Term Debt)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2024.

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

Year	Principal	Interest	Total
2025	617,000	178,007	795,007
2026	637,000	160,695	797,695
2027	652,000	142,731	794,731
2028	668,000	124,314	792,314
2029	694,000	105,419	799,419
2030-2034	3,040,000	220,973	3,260,973
Total	6,308,000	932,138	7,240,138

In addition to the above debt service requirements the City received \$3,502,947 in 2022, \$13,733,481 in 2023 and \$3,189,422 in 2024 from the Washington State Department of Ecology to upgrade the Wastewater treatment plant. The City will start to repay the loan estimated to be \$25,360,000 when the project completes in approximately 2025. The DOE will provide a payment schedule with a rate of interest of 1.4% upon completion of the project.

Interfund Loans

The following table displays interfund loan activity during 2024:

Borrowing Fund	Lending Fund	Balance 1/1/2024	New Loans	Repayments	Balance 12/31/2024
Stormwater Utility Fund	General Fund	\$123,587.59	\$0	\$15,556.16	\$111,207.64

The Council approved an interfund loan from the General Fund to the Stormwater Utility Fund of \$135,657.36 on October 13, 2022, to be repaid over 10 years starting December 1, 2023, with interest of 2.57%.

Compensated Absences

Compensated absences activity for the year ended December 31, 2024, is as follows:

	Beginning Balance 1/1/2024	Net Increase	Ending Balance 12/31/2024
Compensated Absences*	\$115,410	\$178,589	\$294,000

*additions and reductions are reported as a net change

Note 5 – Leases (Lessees)

Enterprise Fleet Lease

In addition to the above debt the City entered a 48-month 3.3% lease agreement with Enterprise Fleet Management to Lease 10 vehicles in Agenda Bill No. 19-53 for \$167,073. The city received eight vehicles during 2020 and the two remaining vehicles during 2021. Additional vehicles have been added and returned to a total of 16 vehicles ending the 2024 fiscal year with a 2024 annual cost of \$57,329. The city will have a residual interest after the lease periods. The City plans to return the vehicles at the end of the lease and use the residual to purchase new vehicles on a new lease. Debt service requirements for the lease are as follows:

Year	Principal
2025	\$59,450
2026	\$40,776
2027	\$24,084
2028	\$12,598
Total	\$136,909

Note 6– OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City 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, 2024, the plan had one (1) member, a retiree. As of December 31, 2024, the city's total OPEB liability was \$400,508, as calculated using the alternative measurement method. For the year ended December 31, 2024, the City paid \$12,123.14 in benefits.

Note 7– Pension Plans

A. State Sponsored Pension Plans

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

Public Employees' Retirement System PERS 2 and PERS 3

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2024 (the measurement date of the plans), 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 %	Liability (Asset)
PERS 1	\$62,298	.010407	\$184,916
PERS 2/3	\$134,307	.013645	(\$449,817)
LEOFF 1	0	.001239	(\$35,236)

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.

Note 8- Property Tax

Property Tax Calendar	
January 1	Tax is levied and becomes an enforceable lien against the properties.
February 14	Tax bills are mailed
April 30	First of two equal installment payments are due
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due

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

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

The city's regular levy for the year 2024 was \$0.94845357202 per \$1,000 on an assessed valuation of \$1,187,917,852 for a total regular levy of \$1,126,684.93.

In 2024, the city also levied \$0.00694046152 per \$1,000 on an assessed valuation of \$1,182,918,452 for a total additional levy of \$8,210.00. This additional levy relates to providing for payment of debt service of the 2004 Unlimited Tax General Obligation Bond as approved by the voters of the city. This obligation was fully repaid in 2024 and the additional levy ended.

Note 9– Risk Management

Liability and Property

The City of Sultan is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2024, membership includes 194 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, Crime Protection and Liability, including General, Automobile, Wrongful Acts, and Cyber, which are included to fit the member's various needs.

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to a group aggregate limit of \$50,000,000 with a self-insured retention (SIR) of \$750,000. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the \$750,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$750,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$8,297,362, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$750,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$750,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence SIR of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors,

which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2024, were \$3,307,706.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered-term basis and the Board is responsible for conducting the business affairs of the program.

Health and Welfare:

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

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

As of December 31, 2024, 268 cities/towns/non-city entities participate in the AWC Trust HCP.

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

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member

experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2024, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

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

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

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

Note 10 – SBITA (Lessees)

The city makes subscription payments of \$1,439 annually for online webinar subscription through Zoom. The original contract was for \$1,199 but was amended in December 2023 for the remaining term based on city need. The SBITA contract is for 2 years and includes the option to continue the contract annually or enter into a new long-term agreement.

The total amount paid for SBITAs in 2023 was \$1,199 and \$1,439 in 2024. As of December 31, 2024, the City does not have any future SBITA payments.

Note 11 – Subsequent Events

1. *Water Treatment Plant Improvements/ U.S. Environmental Protection Agency (EPA) pass through Department of Health Loan- November 29, 2023*

The Mayor signed the Drinking Water State Revolving Fund loan agreement for \$10,930,988 with the State of Washington Department of Health to replace the Sultan Water Treatment Facility (WTF). The loan uses federal EPA funds with a term of 24 years at a rate of 1.75% interest and includes an 85% subsidy. The subsidy of approximately \$9 million will be paid on the loan after the work is complete. The upgrade will increase the capacity of the plant to meet the future treatment demands, reliability standards and improve water quality. Construction costs during 2024 total \$2,703,576 and the plant is expected to be completed in 2026.

2. *Mountain View park construction started May 2024, funded by Park Impact Fees and two grants from Snohomish County totaling \$203,000. The City spent \$2,236,737 during 2024. With an estimated cost at completion of \$2.3 million, Mountain View park is expected to open during the summer of 2025.*

Note 12- Accounting Changes and Error Corrections

Change in accounting principles:

Governmental Accounting Standards Board (GASB) periodically updates standards and introduces changes to financial reporting and disclosure requirements. During Fiscal year 2024, the City implemented GASB Statement No. 100 (GASB 100) and No. 101 (GASB 101) as required by the BARS Manual. GASB 100 outlines the reporting requirements for accounting changes and error corrections. Adding this note is the requirement.

GASB 101 updates the recognition and measurement of compensated absences. The city has used reasonable estimates in calculating compensated absences based on historical usage trends and projected leave balances. These estimates will be reviewed periodically and adjusted as necessary to reflect updated assumptions in actual usage patterns.

City of Sultan
Schedule of Liabilities
For the Year Ended December 31, 2024

ID. No.	Debt ID Title	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities							
263.91	Miscellaneous Debt	Coastal Bank Loan	10/22/2025	75,473	-	75,473	-
251.11	Non-voted General obligation bonds	LTGO Bond - 2019	12/1/2033	1,895,000	-	169,000	1,726,000
251.12	Voted General obligation bonds	Unlimited Tax Bond - Police Bonds	12/1/2024	30,000	-	30,000	-
Total General Obligation Debt/Liabilities:				2,000,473	-	274,473	1,726,000
Revenue and Other (non G.O.) Debt/Liabilities							
259.12	Compensated Absences	Compensated Absences		115,410	178,590	-	294,000
263.88	Public Works Trust Fund (PWTF) Loans	Sewer - PW 04-691-064	7/1/2024	69,861	-	69,861	-
252.11	Non-voted Revenue bonds	Water Revenue Bonds 2020	12/1/2034	750,000	-	60,000	690,000
252.11	Non-voted Revenue bonds	Water/Sewer Revenue Bonds 2014	12/1/2033	1,760,000	-	145,000	1,615,000
252.11	Non-voted Revenue bonds	Water/Sewer Revenue Bonds 2019	12/1/2033	2,500,000	-	223,000	2,277,000
263.84	Loans and other obligations to Washington state agencies (Except LOCAL and PWTF loans)	Sewer DOE Loan	12/1/2054	17,236,428	3,189,422	-	20,425,850
264.30	Pension Liabilities	Net Pension Liability		280,730	-	95,814	184,916
263.57	Leases, SBITA, and PPPs	Vehicle Leases	8/31/2028	144,301	49,937	57,329	136,909
264.40	OPEB Liabilities	OPEB-LEOFF 1		403,084	-	2,576	400,508
263.57	Leases, SBITA, and PPPs	Webinar Subscription - Zoom	4/12/2025	1,440	-	1,440	-

City of Sultan
Schedule of Liabilities
For the Year Ended December 31, 2024

ID. No.	Debt ID Title	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
		Total Revenue and Other (non G.O.) Debt/Liabilities:		23,261,254	3,417,949	655,020	26,024,183
		Total Liabilities:		25,261,727	3,417,949	929,493	27,750,183

City of Sultan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STBGUS-0002 (876)	198,429	-	198,429	-	1,2,3
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		-	962,944	962,944	-	1,2,3
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Congressionally Mandated Projects	66.202		-	1,323,560	1,323,560	-	1,2,3, 4
Total Federal Awards Expended:				198,429	2,286,504	2,484,933	-	

The accompanying notes are an integral part of this schedule.

City of Sultan

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2024

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the city's financial statements. The city uses the BARS for cash basis Local Government accounting.

Note 2 – Federal De Minimis 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 grant portion of the program costs. Entire program costs, including the city's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4- Other Disclosures

On September 21, 2023, the EPA awarded the City a \$2,000,000 federal grant. The grant allowed for expenditures of the wastewater treatment plant expansion that started in 2022. Therefore, amounts shown as current year expenditures include \$81,986.84 from 2023. Further, on August 2, 2024, the EPA awarded the City a \$1,000,000 federal grant. The grant allowed for expenditures of the wastewater treatment plant expansion that started in 2022. Therefore, amounts shown as current year expenditures include \$904,656.92 from 2022 and 2023.

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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