

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**City of Sunnyside**  
**Yakima County**

Audit Period  
**January 1, 2010 through December 31, 2010**

**Report No. 1006452**

Issue Date  
**September 30, 2011**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

September 30, 2011

Mayor and City Council  
City of Sunnyside  
Sunnyside, Washington

***Report on Financial Statements and Federal Single Audit***

Please find attached our report on the City of Sunnyside'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 condition.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Yakima County  
January 1, 2010 through December 31, 2010**

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# Federal Summary

**City of Sunnyside  
Yakima County  
January 1, 2010 through December 31, 2010**

The results of our audit of the City of Sunnyside are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

## **FINANCIAL STATEMENTS**

An unqualified opinion was issued on the financial statements.

### **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 unqualified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

# **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards***

**City of Sunnyside  
Yakima County  
January 1, 2010 through December 31, 2010**

Mayor and City Council  
City of Sunnyside  
Sunnyside, Washington

We have audited the financial statements of the City of Sunnyside, Yakima County, Washington, as of and for the year ended December 31, 2010, and have issued our report thereon dated September 20, 2011.

We conducted our audit 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.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted certain matters that we have reported to the management of the City in a separate letter dated September 20, 2011.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

This report is intended for the information and use of management, the Mayor and City Council, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 20, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and  
on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

City of Sunnyside  
Yakima County  
January 1, 2010 through December 31, 2010

Mayor and City Council  
City of Sunnyside  
Sunnyside, Washington

**COMPLIANCE**

We have audited the compliance of the City of Sunnyside, Yakima County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2010. The City's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

## **INTERNAL CONTROL OVER COMPLIANCE**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Mayor and City Council, federal awarding agencies and pass-through entities. 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.



**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 20, 2011

# **Independent Auditor's Report on Financial Statements**

**City of Sunnyside  
Yakima County  
January 1, 2010 through December 31, 2010**

Mayor and City Council  
City of Sunnyside  
Sunnyside, Washington

We have audited the accompanying financial statements of the City of Sunnyside, Yakima County, Washington, for the year ended December 31, 2010. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Sunnyside, for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City's internal control over financial reporting and on our 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for

purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Long-Term Debt 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 20, 2011

# **Financial Section**

**City of Sunnyside  
Yakima County  
January 1, 2010 through December 31, 2010**

## ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2010  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2010  
Notes to Financial Statements – 2010

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Debt – 2010  
Schedule of Expenditures of Federal Awards – 2010  
Notes to the Schedule of Expenditures of Federal Awards – 2010

**CITY OF SUNNYSIDE**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

BARS CODE		Total for All Funds	Fund Number and Title 001 General Fund	Fund Number and Title 101 Street Fund
		Total Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$225,556	\$0	\$0
308.80	Unreserved	\$7,876,455	\$2,754,991	\$0
<b>Revenues and Other Sources:</b>				
310	Taxes	\$7,343,897	6,012,718	0
320	Licenses and Permits	\$331,107	329,107	2,000
330	Intergovernmental	\$2,372,118	1,651,383	549,022
340	Charges for Goods and Services	\$7,854,392	1,429,726	0
350	Fines and Penalties	\$323,537	297,113	0
360	Miscellaneous	\$1,557,559	43,305	27
370	Capital Contributions	\$0	0	0
390	Other Financing Sources	\$2,067,886	8,470	717,406
<b>Total Revenues and Other Financing Sources</b>		\$21,850,496	9,771,822	1,268,455
<b>Total Resources</b>		\$29,952,507	12,526,813	1,268,455
<b>Operating Expenditures:</b>				
510	General Government	\$2,868,145	2,487,563	0
520	Public Safety	\$7,407,798	5,979,841	0
530	Physical Environment	\$4,186,508	29,044	0
540	Transportation	\$1,508,656	20,554	1,034,202
550	Economic Environment	\$208,081	190,454	0
560	Mental and Physical Health	\$2,857	2,857	0
570	Culture and Recreational	\$615,045	539,624	0
<b>Total Operating Expenditures</b>		16,797,090	9,249,937	1,034,202
591-593	Debt Service	\$1,014,219	18,008	0
594-595	Capital Outlay	\$1,947,457	37,061	234,869
<b>Total Expenditures</b>		\$19,758,766	9,305,006	1,269,071
597-599	Other Financing Uses	\$2,032,170	1,965,420	0
<b>Total Expenditures and Other Financing Uses</b>		\$21,790,936	11,270,426	1,269,071
<b>Excess (Deficit) of Resources Over Uses:</b>		\$8,161,571	1,256,387	(616)
380	Nonrevenues (Except 384)	\$1,280,582	553,035	691
580	Nonexpenditures (Except 584)	\$1,983,789	537,298	75
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$228,500	0	0
508.80	Unreserved	\$7,229,866	1,272,124	0

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Title	Fund Number and Title	Fund Number and Title
		115 Contingency	120 Investigative	130 Crime Prevention
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	\$905	\$160,661	\$68,031
<b>Revenues and Other Sources:</b>				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	126,184
340	Charges for Goods and Services	0	0	0
350	Fines and Penalties	0	253	26,171
360	Miscellaneous	1,359	479	8,736
370	Capital Contributions	0	0	0
390	Other Financing Sources	1,000,000	0	0
<b>Total Revenues and Other Financing Sources</b>		1,001,359	732	161,091
<b>Total Resources</b>		1,002,264	161,393	229,122
<b>Operating Expenditures:</b>				
510	General Government Services	0	0	0
520	Public Safety	0	10,682	177,174
530	Utilities and Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
<b>Total Operating Expenditures</b>		0	10,682	177,174
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	0	9,231	5,000
<b>Total Expenditures</b>		0	19,913	182,174
597-599	Other Financing Uses	0	0	0
<b>Total Expenditures and Other Financing Uses</b>		0	19,913	182,174
<b>Excess (Deficit) of Resources Over Uses:</b>		1,002,264	141,480	46,948
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0	0	0
508.80	Unreserved	\$1,002,264	\$141,480	\$46,948

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Title	Fund Number and Title	Fund Number and Title
		140 Public Safety Tax	160 Tourism	201 GO Bond
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	\$59,610	\$121,873	\$76
<b>Revenues and Other Sources:</b>				
310	Taxes	323,304	96,725	366,464
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	0	0
350	Fines and Penalties	0	0	0
360	Miscellaneous	52	261	56
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	248,014
<b>Total Revenues and Other Financing Sources</b>		323,356	96,986	614,534
<b>Total Resources</b>		382,966	218,859	614,610
<b>Operating Expenditures:</b>				
510	General Government	0	0	0
520	Public Safety	338,457	0	0
530	Physical Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	75,421	0
<b>Total Operating Expenditures</b>		338,457	75,421	0
591-593	Debt Service	0	0	614,609
594-595	Capital Outlay	0	0	0
<b>Total Expenditures</b>		338,457	75,421	614,609
597-599	Other Financing Uses	0	0	0
<b>Total Expenditures and Other Financing Uses</b>		338,457	75,421	614,609
<b>Excess (Deficit) of Resources Over Uses:</b>		44,509	143,438	1
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0	0	0
508.80	Unreserved	\$44,509	\$143,438	\$1

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Title	Fund Number and Title	Fund Number and Title
		303 CDBG	304 REET I	305 REET II
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	\$40,684	\$311,511	\$51,772
<b>Revenues and Other Sources:</b>				
310	Taxes	0	53,747	43,247
320	Licenses and Permits	0	0	0
330	Intergovernmental	17,627	0	0
340	Charges for Goods and Services	0	0	0
350	Fines and Penalties	0	0	0
360	Miscellaneous	11	506	99
370	Capital Contributions	0	0	0
390	Other Financing Sources	4,380	0	0
<b>Total Revenues and Other Financing Sources</b>		22,018	54,253	43,346
<b>Total Resources</b>		62,702	365,764	95,118
<b>Operating Expenditures:</b>				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	0
540	Transportation	0	0	0
550	Economic Environment	17,627	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
<b>Total Operating Expenditures</b>		17,627	0	0
591-593	Debt Service	0	0	0
594-595	Capital Outlay	0	77,681	44,471
<b>Total Expenditures</b>		17,627	77,681	44,471
597-599	Other Financing Uses	0	0	0
<b>Total Expenditures and Other Financing Uses</b>		17,627	77,681	44,471
<b>Excess (Deficit) of Resources Over Uses:</b>		45,075	288,083	50,647
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0	0	0
508.80	Unreserved	\$45,075	\$288,083	\$50,647

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Title	Fund Number and Title	Fund Number and Title
		322 Fire Equip Reserve	410 Water	420 Sewer
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$0	\$0	\$225,556
308.80	Unreserved	\$47,725	\$1,380,053	\$1,449,176
<b>Revenues and Other Sources:</b>				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	2,088,820	2,844,492
350	Fines and Penalties	0	0	0
360	Miscellaneous	123	9,961	3,569
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	66,750
<b>Total Revenues and Other Financing Sources</b>		123	2,098,781	2,914,811
<b>Total Resources</b>		47,848	3,478,834	4,589,543
<b>Operating Expenditures:</b>				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	1,525,175	1,476,967
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
<b>Total Operating Expenditures</b>		0	1,525,175	1,476,967
591-593	Debt Service	0	0	0
594-595	Capital Outlay	5,175	495,538	686,913
<b>Total Expenditures</b>		5,175	2,020,713	2,163,880
597-599	Other Financing Uses	0	66,750	0
<b>Total Expenditures and Other Financing Uses</b>		5,175	2,087,463	2,163,880
<b>Excess (Deficit) of Resources Over Uses:</b>		42,673	1,391,371	2,425,663
380	Nonrevenues (Except 384)	0	624,356	0
580	Nonexpenditures (Except 584)	0	333,459	1,012,957
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0	0	228,500
508.80	Unreserved	\$42,673	\$1,682,268	\$1,184,206

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Title	Fund Number and Title	Fund Number and Title
		430 Garbage	440 Ambulance	450 Stormwater
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	\$128,209	\$516,374	\$63,736
<b>Revenues and Other Sources:</b>				
310	Taxes	0	447,692	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	2,186	13,007
340	Charges for Goods and Services	970,074	414,305	106,975
350	Fines and Penalties	0	0	0
360	Miscellaneous	225	58,867	1
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
<b>Total Revenues and Other Financing Sources</b>		970,299	923,050	119,983
<b>Total Resources</b>		1,098,508	1,439,424	183,719
<b>Operating Expenditures:</b>				
510	General Government	0	0	0
520	Public Safety	0	877,527	0
530	Physical Environment	946,581	0	208,741
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
<b>Total Operating Expenditures</b>		946,581	877,527	208,741
591-593	Debt Service	0	0	2,500
594-595	Capital Outlay	0	4,003	0
<b>Total Expenditures</b>		946,581	881,530	211,241
597-599	Other Financing Uses	0	0	0
<b>Total Expenditures and Other Financing Uses</b>		946,581	881,530	211,241
<b>Excess (Deficit) of Resources Over Uses:</b>		151,927	557,894	(27,522)
380	Nonrevenues (Except 384)	0	0	102,500
580	Nonexpenditures (Except 584)	0	0	100,000
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0	0	0
508.80	Unreserved	\$151,927	\$557,894	(\$25,022)

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Title	Fund Number and Title	Fund Number and Title
		501 Equipment Rental	503 PWSC	504 Information Tech.
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments:</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	\$200,275	\$23,091	\$188,305
<b>Revenues and Other Sources:</b>				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	0	0
350	Fines and Penalties	0	0	0
360	Miscellaneous	940,565	45,908	442,565
370	Capital Contributions	0	0	0
390	Other Financing Sources	22,866	0	0
<b>Total Revenues and Other Financing Sources</b>		963,431	45,908	442,565
<b>Total Resources</b>		1,163,706	68,999	630,870
<b>Operating Expenditures:</b>				
510	General Government	0	0	380,582
520	Public Safety	0	0	0
530	Physical Environment	0	0	0
540	Transportation	417,779	36,121	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
<b>Total Operating Expenditures</b>		417,779	36,121	380,582
591-593	Debt Service	379,102		
594-595	Capital Outlay	250,290	44	97,181
<b>Total Expenditures</b>		1,047,171	36,165	477,763
597-599	Other Financing Uses	0	0	0
<b>Total Expenditures and Other Financing Uses</b>		1,047,171	36,165	477,763
<b>Excess (Deficit) of Resources Over Uses:</b>		116,535	32,834	153,107
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	\$0	0	0
508.80	Unreserved	\$116,535	\$32,834	\$153,107

*The Accompanying Notes Are An Integral Part Of This Statement.*

**CITY OF SUNNYSIDE**  
**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

BARS CODE		Fund Number and Title
		611 Firemen's Relief
		Actual Amount
<b>Beginning Cash and Investments:</b>		
308.10	Reserved	\$0
308.80	Unreserved	\$309,399
<b>Revenues and Other Sources:</b>		
310	Taxes	0
320	Licenses and Permits	0
330	Intergovernmental	12,709
340	Charges for Goods and Services	0
350	Fines and Penalties	0
360	Miscellaneous	884
370	Capital Contributions	0
390	Other Financing Sources	0
<b>Total Revenues and Other Financing Sources</b>		13,593
<b>Total Resources</b>		322,992
<b>Operating Expenditures:</b>		
510	General Government	0
520	Public Safety	24,117
530	Physical Environment	0
540	Transportation	0
550	Economic Environment	0
560	Mental and Physical Health	0
570	Culture and Recreational	0
<b>Total Operating Expenditures</b>		24,117
591-593	Debt Service	0
594-595	Capital Outlay	0
<b>Total Expenditures</b>		24,117
597-599	Other Financing Uses	0
<b>Total Expenditures and Other Financing Uses</b>		24,117
<b>Excess (Deficit) of Resources Over Uses:</b>		298,875
380	Nonrevenues (Except 384)	0
580	Nonexpenditures (Except 584)	0
<b>Ending Cash and Investments:</b>		
508.10	Reserved	\$0
508.80	Unreserved	\$298,875

*The Accompanying Notes Are An Integral Part Of This Statement.*

**CITY OF SUNNYSIDE  
FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2010

	Total for All Funds	Fund Number & Title Jail Trust	Fund Number & Title Court Trust
	Total Amount	Actual Amount	Actual Amount
<b>Beginning Cash and Investments</b>	\$169,352	\$142,863	\$26,489
Prior Period Adjustments	(\$13,830)	(\$13,830)	
Revenues and Other Financial Sources	\$906,383	\$131,153	\$775,230
<b>Total Resources</b>	<b>\$1,061,905</b>	<b>\$260,186</b>	<b>\$801,719</b>
Expenditures And Other Financing Uses	\$877,946	\$106,723	\$771,223
Excess (Deficit) of Resources Over Uses	\$183,959	\$153,463	\$30,496
Nonrevenues (Except 384)	\$0	\$0	\$0
Nonexpenditures (Except 584)	\$0	\$0	\$0
<b>Ending Cash and Investments</b>	<b>\$183,959</b>	<b>\$153,463</b>	<b>\$30,496</b>

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The City of Sunnyside reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Sunnyside, Washington was incorporated on September 16, 1902 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 of Sunnyside is a general purpose government and provides public safety (police, fire, jail), Municipal Court, public improvements (streets, traffic signals), sanitation (solid waste disposal, sanitary sewer facility), water utility, stormwater utility, ambulance/ems utility, community development, and parks and recreation. The City of Sunnyside uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. FUND ACCOUNTING**

The accounts of the City of Sunnyside are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Sunnyside's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Sunnyside:

**GOVERNMENTAL FUND TYPES:**

General (Current Expense) Fund

This fund is the primary operating fund of the City of Sunnyside. 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 revenues that are legally restricted or designated to finance particular activities of the City of Sunnyside.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

**PROPRIETARY FUND TYPES:**

Enterprise Funds

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

Internal Service Funds

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

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

**FIDUCIARY FUND TYPES:**

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

A Pension Trust Fund is used to account for the operations of a trust established for certain employee retirement benefits. It is accounted for in essentially the same manner as proprietary funds because of the need for determining inter-period income of the Trust.

**B. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

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

**C. BUDGETS**

The City of Sunnyside adopts annual appropriated budgets for all funds with the exception of 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.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting. Beginning in 2011 the City changed to a biennial budget cycle. (see other Disclosures, A Subsequent Events)

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

	<u>Fund</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
1	General	\$13,954,690	\$11,807,724	\$2,146,966
101	Street Fund	1,358,930	1,269,146	89,784
115	contingency Fund	1,000,000	0	1,000,000
120	Investigative	180,300	19,913	160,387
130	Crime Prevention	229,530	182,174	47,356
140	Public Safety Tax	378,000	338,457	39,543
160	Tourism Expansion	198,000	75,421	122,579
201	General Obligation Bonds Community Development Block	619,000	614,609	4,391
303	Grant	40,000	17,627	22,373
304	Local Capital Improvement-REET 1	375,000	77,681	297,319
305	Capital Improvements - REET-2	111,000	44,471	66,529
322	Fire Capital Reserve	55,000	5,175	49,825
410	Water Operating	5,408,000	2,420,923	2,987,077
415	W/S Revenue Bonds	344,720	116,216	228,504

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

	<u>Fund</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
416	W/S Capital Projects	1,572,130	640,336	931,794
420	Wastewater Operating	3,312,000	2,472,169	839,831
430	Solid Waste (Refuse)	1,117,000	946,581	170,419
440	Ambulance	1,448,000	881,530	566,470
450	Stormwater	338,000	311,241	26,759
501	Equipment Rental	1,050,890	1,047,171	3,719
503	Public Works Service Center	75,920	36,165	39,755
504	Information Technology	608,000	477,763	130,237
611	Firemen's Pension	332,000	24,117	307,883
		<u>\$34,106,110</u>	<u>\$23,826,610</u>	<u>\$10,279,500</u>

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

**D. CASH**

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

**E. DEPOSITS**

The City of Sunnyside's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or the Washington Public Deposit Protection Commission (WPDPC).

**F. INVESTMENTS (See Note 3 – Investments)**

**G. DERIVATIVES AND SIMILAR TRANSACTIONS**

The City of Sunnyside has not bought, held or sold any derivatives during the period covered by the financial statements.

**H. CAPITAL ASSETS**

Capital assets are long-lived assets of the City of Sunnyside and are recorded as expenditures when purchased.

**I. COMPENSATED ABSENCES**

Vacation leave may be accumulated up to 240 or 360 hours and is payable upon separation or retirement. The accumulated maximum hours vary by type of employee based upon the applicable union contract, employment agreement or ordinance.

Sick leave may be accumulated up to 960 hours for commissioned police officers, police support staff and non-represented staff. Public works employees and other clerical employees may accrue up to 1,040 hours. Firefighters may accumulate up to 1,440 hours. The City pays for sick leave that exceeds the maximum accrual rate as of December 31<sup>st</sup> of each year. Those excess hours for full time employees are

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

paid at 25% of their value. Upon separation after completing at least 10 years of service, all employees represented by union contract shall be paid 25% of their accumulated sick leave. Unless a specific employment agreement is in effect, non-represented employees shall be paid 25% of their accumulated sick leave upon retirement.

**J. LONG-TERM DEBT NOTE (See Note 6 – Long-Term Debt)**

**K. OTHER FINANCING SOURCES OR USES**

The City of Sunnyside's "Other Financing Sources or Uses" consist of transfers-in, transfers-out, intergovernmental loan proceeds, proceeds from sale of capital assets, insurance recoveries, and other note proceeds.

**L. RISK MANAGEMENT**

For the period of January 1, 2010 – August 31, 2010, the City of Sunnyside was an associate member of the 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 pool 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 pool 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 August 31, 2010, the CIAW had 88 regular members and 180 associate members.

Effective September 1, 2010, all members of the CIAW are full members.

The pool provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime protection, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The pool acquires liability insurance through Munich Reinsurance America that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. The insurance carrier covers insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$3,200,000 to cap the total claims paid by the pool in any one year. Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000. Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The pool has no employees, but has contracted with a third-party administrator, Canfield, to perform the daily administration of the pool, including account education, risk management and loss control, and claims administration.

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

Effective September 1, 2010, The City of Sunnyside became 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 145 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, 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, and 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. These revenues directly offset portions of the membership's annual assessment.

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. For further information on WCIA, they may be contacted PO Box 88030, Tukwilla, WA 98138. The phone number is (206) 575-6046.

**M. RESERVED FUND BALANCE**

The City of Sunnyside Sewer Fund had a \$228,500 reservation of fund balance in order to comply with the 2007 Revenue Bond covenants.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

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

In 2010, there have been no expenditures exceeding legal appropriations in any of the funds of the City of Sunnyside.

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

The Stormwater Fund # 450 had a negative fund balance of \$25,022 at 12/31/10 because of revenue shortfalls. In March, 2011 new Stormwater bills were mailed out and the anticipated revenue is intended to eliminate the deficit. (See Subsequent Events – Other Disclosures Note A).

**NOTE 3 – INVESTMENTS**

The City of Sunnyside’s investments are either insured, registered or held by the City of Sunnyside or its agent in the City of Sunnyside’s name.

Investments by type at December 31, 2010 are as follows:

Type of Investment	City of Sunnyside’s own investments	Investments held by City of Sunnyside as an agent for other local governments, individuals or private organizations	Total
Local Government Investment Pool (LGIP)	7,286,253	296,332	7,582,585
Municipal Investor Account	82,289	0	82,289
<b>Total</b>	<b>7,368,542</b>	<b>296,332</b>	<b>7,664,874</b>

The Washington State Local Government Investment Pool, which is operated in a manner consistent with the SEC’s Rule 2a-7 of the Investment Act of 1940, is unrated. The pool is 100% guaranteed by the Washington Public Deposit Protection Commission. The Pool presents no custodial, credit or interest rate risk.

Municipal Investor Account is a market-rate savings account with US Bank and is fully insured by the FDIC and the Washington Public Deposit Protection Commission.

**NOTE 4 - PROPERTY TAXES**

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

<b>Property Tax Calendar</b>	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year’s levy at 100% of market value.
October 31	Second installment is due.

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

The City of Sunnyside’s regular levy for the year 2010 was \$3.0499 per \$1,000 on an assessed valuation of \$602,606,855 for a total regular levy of \$1,837,915. In 2010, the City of Sunnyside had a voter-approved excess levy of \$0.6394 per \$1,000 of assessed value on excess value of \$597,444,743 for payment of General Obligation Bonds for a total additional levy of \$382,000.

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 - INTERFUND LOANS AND ADVANCES**

The following table displays interfund principal loan activity during 2010:

<b>Borrowing Fund</b>	<b>Lending Fund</b>	<b>Balance 01/01/2010</b>	<b>New Loans</b>	<b>Repayments</b>	<b>Balance 12/31/2010</b>
Sewer	Water	175,000	0	175,000	0
Stormwater	General	100,000	102,500	100,000	102,500
<b>Total</b>		<b>275,000</b>	<b>102,500</b>	<b>275,000</b>	<b>102,500</b>

At the end of 2010, the City had the following interfund loans:

- The Water Fund provided a \$350,000 interfund loan to the Sewer Fund in 2008. The purpose of the loan was to provide the Sewer Fund with additional operating funds while significant sewer utility rate increases are implemented over a period of four years. Per City of Sunnyside Ordinance 2201, interfund loan principal shall be repaid to the Water Fund from the Sewer Fund on or before December 31, 2010, with interest accruing monthly on unpaid principal for the duration of the loan. Payments made by the Sewer Fund to the Water Fund during 2010 totaled \$177,283; of which \$175,000 was for principal repayment and \$2,283 was for interest.
- The General Fund provided a \$102,500 interfund loan to the Stormwater Fund in 2010. The purpose of the loan was to provide funding to the Stormwater Fund to repay an earlier loan authorized by Ordinance 2009-22 from the General Fund of \$100,000 plus 2.5% interest. The new interfund loan contains a five-year term with principal and interest payments of \$22,062.80 due to the General Fund on October 31<sup>st</sup> of each year of the loan term. The final payment is due October 31, 2015.

**NOTE 6 - LONG-TERM DEBT**

The accompanying *Schedule 09 – Long-Term Debt* provides a listing of the outstanding debt of the City of Sunnyside and summarizes the City of Sunnyside’s debt transactions for 2010. The debt service requirements, including interest, are as follows:

<b>YEAR</b>	<b>GENERAL OBLIGATION AMOUNT</b>	<b>REVENUE AMOUNT</b>	<b>TOTAL</b>
2010	\$1,006,372	\$1,168,526	\$2,174,898
2011	893,621	1,160,681	2,054,302
2012	650,341	1,173,417	1,823,758
2013	647,392	1,169,932	1,817,324
2014	634,428	1,170,951	1,805,379
2015	251,691	1,166,338	1,418,029
2016-2020	1,173,026	5,367,701	6,540,727
2021-2025	1,172,418	5,116,284	6,288,702
2026-2027	473,250	1,868,769	2,342,019
<b>TOTAL</b>	<b>\$6,902,539</b>	<b>\$19,362,599</b>	<b>\$26,265,138</b>

**General Obligation Debt**

**2007 LTGO Bonds**

In 2007, the City of Sunnyside issued \$2,760,000 in Limited Tax General Obligation (LTGO) Bonds for the purpose of providing financing for the cost of land acquisition. These bonds were issued by a vote of

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

the City Council for the purpose of financing the Monson Ranches Feedlot land purchase; since renamed West Sunnyside Business Park.

2001 UTGO Refunding Bonds

In 2001, the City of Sunnyside issued \$4,350,000 in Unlimited Tax General Obligation (UTGO) Refunding Bonds for the purpose of substantial debt service savings. These bonds refunded voter-approved UTGO bonds issued in 1990 and 1995 for the purpose of constructing the City Pool and Law & Justice Center, respectively.

In 2007, the City of Sunnyside entered into a lease-purchase agreement with US Bank for the purpose of equipment replacement. The agreement allowed for the purchase of six vehicles to be used in various departments.

In 2008, the City of Sunnyside entered into a lease-purchase agreement with Banner Bank for the purpose of equipment replacement. The agreement allowed for the purchase of six vehicles to be used in various departments.

Supporting Investments in Economic Development (SIED)

In 2008, the City of Sunnyside secured a \$109,192 Supporting Investment in Economic Development loan from Yakima County on the behalf of K2R Properties, LLC for the purpose of street infrastructure improvements. K2R Properties, LLC is repaying the City of Sunnyside principal plus interest on this loan over a seven year term.

Washington State LOCAL Program Loans

In 2006, the City of Sunnyside secured two loans through the Washington State Local Option Capital Asset Lending (LOCAL) Program for the purpose of equipment replacement. The first loan in the amount of \$991,850 allowed for the purchase of 26 vehicles to be used in various departments. The second loan in the amount of \$258,387 allowed for the purchase of two ambulances to be used by the Fire Department.

**Revenue Debt**

2007 Water/Sewer Revenue Bonds

In 2007, the City of Sunnyside issued \$2,285,000 in Water/Sewer Revenue Bonds for the purpose of financing capital improvements to the water and sewer systems.

2005 Water/Sewer Refunding Bonds

In 2005, the City of Sunnyside issued \$3,640,000 in Water/Sewer Revenue Refunding Bonds for the purpose of substantial debt service savings. These bonds refunded Water/Sewer Revenue Bonds issued in 1993 and 1996.

Supporting Investments in Economic Development (SIED)

In 2003, the City of Sunnyside secured a \$44,400 Supporting Investment in Economic Development loan from Yakima County on the behalf of New Holland for the purpose of installing a 12-inch water pipe connecting existing City of Sunnyside lines to the New Holland property. New Holland is repaying the City of Sunnyside principal plus interest on this loan over a seven year term. The loan obligation on this debt was full satisfied in 2010.

In 2005, the City of Sunnyside secured an additional \$275,000 Supporting Investment in Economic Development loan from Yakima County on the behalf of Powell Distribution for the purpose of widening a 1,320 foot stretch of Allen Road that includes curbs, gutters and sidewalks and for building a 1,230 foot long "Quail Lane" connecting two streets and for installing 350 feet of water and sewer lines to the Powell Distribution property. Powell Distribution is repaying the City of Sunnyside principal plus interest on this loan over a ten year term.

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

State Revolving Fund Loans

In 2004, the City of Sunnyside secured a \$4,040,000 State Revolving Fund loan from the State of Washington to finance the Water Source Development Project. As of December 31, 2010, the City of Sunnyside has drawn a total of \$2,413,781 on this loan and remitted principal payments totaling \$425,782. Only the drawn down portion less principal and interest repayments is included in debt service figures in the chart above.

In 2006, the City of Sunnyside secured a \$12,376,640 State Revolving Fund loan from the State of Washington to finance the 2005-2007 Wastewater Treatment Plant rehabilitation. The balance at 12/31/10 was \$10,472,542.

**NOTE 7 - PENSION PLANS**

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Substantially all City of Sunnyside full-time and qualifying part-time employees participate in the Public Employees' Retirement System (PERS) Plans 1, 2 and 3, Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2, and Public Safety Employees' Retirement System (PSERS) Plan 2 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City of Sunnyside's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98504-8380

**Local Government Pension System**

The City of Sunnyside is also the administrator of a pension retirement system called the Firemen's Relief and Pension Fund. The system is shown as a trust fund in the financial statements of the City. As of December 31, 2010, there were a total of three individuals covered by this system of which none were currently employed and three were drawing benefits.

The most recent actuarial review of the system was done by Randall & Hurley, Inc. to determine the funding requirements as of December 31, 2005. As of this date, the market value of assets was \$336,053 and the actuarial present value of future benefits was \$356,956 leaving an unfunded pension benefit obligation of \$20,903. However, it was determined that a contribution rate of \$9,500 per year will be sufficient to fund the plan. The City of Sunnyside will maintain the funding policy of contributing 100% of the City of Sunnyside's share of the State tax on fire insurance premiums to the Firemen's Relief and Pension Fund. In 2009, this contribution totaled \$12,731. A new actuarial review of the system is planned in 2011.

Plan Description

The Firemen's Relief and Pension Fund was established by the City of Sunnyside in compliance with the requirements of the Revised Code of Washington (RCW) 41.20 and 41.18, and the City of Sunnyside administers the plan. The pension plan is a closed, single-employer, defined benefit retirement plan.

When the Law Enforcement Officers' and Firefighters (LEOFF) pension system was initiated, the State of Washington assumed the major portion of the obligation to provide future retirement benefits for members still in active service at the LEOFF inception date (March 1, 1970). The City of Sunnyside retains the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

addition, the City of Sunnyside retains the responsibility for a portion of the benefits payable to members who were active on that date.

Generally, benefits under the LEOFF retirement benefit system are greater than or equal to the retirement benefits under the old City of Sunnyside plan when payments begin. However, LEOFF retirement benefits increase with the consumer price index (CPI-Seattle), while some City of Sunnyside benefits increase with wages of current active members. If wages go up faster than the CPI, the City of Sunnyside becomes liable for the residual amount.

All City of Sunnyside firefighters who served before March 1, 1970 are participants of this pension fund. Those hired between March 1, 1970 and September 30, 1977 are eligible for a supplemental retirement benefit plus health benefits under this plan. Eligible firefighters may retire with full benefits at age 50 after completing 20 years of service, or after 25 years of service regardless of age.

**Funding Policy**

Under State law, partial funding of the Firemen's Relief and Pension Fund may be provided by an annual tax levy of up to \$0.50 per \$1,000 of assessed value of all taxable City of Sunnyside property. Currently, there are no property taxes that fund the Firemen's Pension Fund. Under State law, the Firemen's Relief and Pension Fund is provided an allocation of 25% of all monies received by the State from taxes on fire insurance premiums. The General Fund may provide additional funding through transfers as necessary. Active pension plan members are not required to contribute to the plan. The City of Sunnyside currently allocates 100% of fire insurance premiums to the Firemen's Relief and Pension Fund, and therefore additional funding from the General Fund is not required. The plan is administered on a pay-as-you-go basis

**OTHER DISCLOSURES**

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**A. SUBSEQUENT EVENTS**

**Stormwater Utility**

On March 8, 2010, the City of Sunnyside City Council reinstated a stormwater assessment fee \$3.75 per utility billing account. The fee was implemented with the billing sent out at the end of March 2010 and payable in April 2010. This fee is planned to eliminate the deficit fund balance in the Fund. (See Note 2 – Compliance and Accountability)

Beginning in 2011 the City starts budgeting on a biennial basis to minimize staff time involved with the process. (See note 1C – Budgets)

**B. SIGNIFICANT ITEMS**

**Combined Funds**

For budgetary and operating purposes, the City of Sunnyside separated the Jail and Recreation divisions from the General Fund and placed them into their own funds (005 and 006, respectively) beginning January 1, 2006. However, for reporting purposes, the City of Sunnyside can have only one General Fund. Therefore, Jail and Recreation financial activities have been combined with the General Fund for the 2010 Annual Report. All transfers amongst these three funds have been eliminated for reporting purposes.

For revenue bond reserves and redemption, and revenue bond-funded capital projects, the City of Sunnyside established the Water/Sewer Revenue Bond and the Water/Sewer Capital Projects Funds (415 and 416, respectively). The bond-funded capital project is multi-year project that began in 2008 and that continues into 2010. Until the project is completed, the bond debt proportions allocable to the Water and Sewer Funds are unknown, which is the reason the two bond funds were established. However, when reporting such proprietary activities, all of those functions must be contained in one fund. In this case, Water/Sewer Revenue Bond and Water/Sewer Capital Projects Funds' financial activities have been combined with the Sewer Fund for the 2010 Annual Report because the majority of the activities are sewer-related. All transfers amongst these three funds have been eliminated for reporting purposes.

**CITY OF SUNNYSIDE  
NOTES TO THE FINANCIAL STATEMENTS**

When the capital project has been completed, the two bond funds will be dissolved, and all bond reserves and redemption activities will be allocated proportionately to the Water and Sewer Funds.

**C. PENDING AND THREATENED LITIGATION**

Because of its activities, and federal and state grant awards, the City of Sunnyside subject to certain legal actions which arise in the ordinary course of business. The City believes, based on the information presently known, that any ultimate liability for such actions will not be material to the financial position of the City.

CITY OF SUNNYSIDE

G.O. Debt  
 Revenue Debt  
 Assessment Debt

**SCHEDULE OF LONG-TERM DEBT**

**For The Year Ended December 31, 2010**

	(1)	(2)	(3)	(4)						
ID No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 01/01/2010	Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/2010
251.11	09/12/2007	12/01/2027	\$2,760,000	\$0	N/A	N/A	\$100,000	591.19.71	201	\$2,660,000
251.15	03/05/2001	12/01/2014	1,675,000	0	N/A	N/A	305,000	591.98.71	201	1,370,000
263.53	07/09/2007	12/05/2011	46,677	0	N/A	N/A	22,781	591.48.66	501	23,896
263.53	01/25/2008	01/25/2012	8,154	0	N/A	N/A	2,413	591.48.66	501	5,741
263.53	01/25/2008	01/25/2010	3,608	0	N/A	N/A	3,608	591.48.66	501	0
263.53	08/19/2008	08/19/2011	100,096	0	N/A	N/A	48,824	591.48.66	501	51,272
263.53	08/19/2008	08/19/2013	44,485	0	N/A	N/A	10,307	591.48.66	501	34,178
263.81	06/01/2009	06/01/2015	95,176	0	N/A	N/A	14,439	591.95.78	001	80,737
263.96	06/15/2006	06/01/2011	319,386	0	N/A	N/A	210,661	591.48.78	501	108,725
263.96	12/15/2006	12/01/2011	109,460	0	N/A	N/A	53,629	591.48.78	501	55,831
<b>TOTAL</b>			<b>\$5,162,042</b>	<b>\$0</b>			<b>\$771,663</b>			<b>\$4,390,380</b>

CITY OF SUNNYSIDE  
**SCHEDULE OF LONG-TERM DEBT**

G.O. Debt  
     Revenue Debt  
     Assessment Debt

**For The Year Ended December 31, 2010**

	(1)	(2)	(3)	(4)
ID. No	Beginning Outstanding Debt 01/01/2010	Amount Issued in Current Year	Amount Redeemed in Current Year	Ending Outstanding Debt 12/31/2010
252.11	\$2,285,000	\$0	\$0	\$2,285,000
252.15	1,600,000	0	\$170,000	\$1,430,000
263.82	6,342	0	6,343	0
263.82	179,694	0	26,879	152,815
263.82	1,708,075	408,316	128,395	1,987,996
263.82	11,107,241	0	634,699	10,472,542
<b>TOTAL</b>	<b>\$16,886,352</b>	<b>\$408,316</b>	<b>\$966,315</b>	<b>\$16,328,354</b>

CITY OF SUNNYSIDE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended December 31, 2010**

1 Federal Agency Name/ Pass- Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			6 Foot- note Ref.
				From	From	Total	
				Pass-Thru Awards	Direct Awards		
Department of Housing and Urban Development Office of Community Planning and Development/Pass through from WA State Dept of Commerce	Community Development Block Grant	14.228	09-64005-067	4,380		4,380	1,3
Department of Housing and Urban Development Office of Community Planning and Development/Pass through from WA State Dept of Commerce	Community Development Block Grant	14.228	09-64009-043	17,627		17,627	1,5
			<i>sub-total 14.228</i>	22,007	0	22,007	
Department of Justice, Office of Justice Programs, Bureau of Justice Assistance Direct Award	COPS Hiring Recovery Program	16.710	COPS-CHRP-2009-1		45,094	45,094	1,2
			<i>sub-total 16.710</i>	0	45,094	45,094	
Department of Justice, Office of Justice Programs, Bureau of Justice Assistance/Pass through from WA State Dept of Commerce	ARRA -Edward Byrne Memorial JAG Program	16.804	15-910-1-1-754	26,000		26,000	1,2, 6
Department of Justice, Office of Justice Programs, Washington State Department of Community Trade and Economic Development (CTED)	AARA GREAT III	16.803	F0934721414A	65,535		65,535	1,2, 6
			<i>sub-total 16.803</i>	91,535		91,535	
U.S. Department of Transportation/Federal Aviation Administration Direct Award	Airport Improvement Program	20.106	3-53-0074-004		29,137	29,137	1,2
			<i>sub-total 20.106</i>	0	29,137	29,137	
US Department of Transportation/ pass-thru from WA state Dept. of Transportation	Highway Planning and Construction	20.205	STPUS-6340(004) Traffic Signal Project	50,064		50,064	1,2
			<i>sub-total 20.205</i>	50,064		50,064	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

CITY OF SUNNYSIDE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2010**

1 Federal Agency Name/ Pass- Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			6 Foot- note Ref.
				From Pass-Thru Awards	From Direct Awards	Total	
National Highway Traffic Safety Administration/ pass through from WA State Traffic Safety Commission	State and Community Highway Safety	20.600	Target Zero task Force Coordinator	42,895		42,895	1,2
	Washington Traffic Safety Commission	20.600	Speeding Campaign	3,436		3,436	
	Washington Traffic Safety Commission	20.600	Midnight Live Grant	476		476	
	<i>sub-total 20.600</i>			<b>46,807</b>		<b>46,807</b>	
	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Drive Hammered Get Nailed	1,954		1,954	
		20.601	Extra Patrols every week (X-52 DUI)	909		909	
	<i>sub-total 20.601</i>			<b>2,863</b>		<b>2,863</b>	
	Occupant Protection Grants	20.602	Night Time Seat Belt Enforcement	1,484		1,484	
Child passenger Safety Project	20.602	Child/Passenger Safety project	146		146		
<i>sub-total 20.602</i>			<b>1,630</b>		<b>1,630</b>		
U.S. Environmental Protection Agency/pass through from WA State Department of Community, Trade & Economic Development	Drinking Water State Revolving Fund (DWSRF) Loan	66.468	04-65104-035	429,024		429,024	1,4
<i>sub-total 66.468</i>			<b>429,024</b>	<b>0</b>	<b>429,024</b>		
<b>Total Federal Awards Expended</b>				<b>643,930</b>	<b>74,231</b>	<b>718,161</b>	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

## CITY OF SUNNYSIDE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDING DECEMBER 31, 2010**NOTE 1 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards has been prepared on the same basis of accounting as the City's financial statements. The City uses the cash basis of accounting for all fund types.

**NOTE 2 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only federal grant portions of the program costs. Entire program costs, including the City's portion, may be more than shown.

**NOTE 3 – REVOLVING LOAN – PROGRAM INCOME**

The City has a revolving loan program for low income housing rehabilitation. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds, to eligible recipients, are considered expenditures. All loan funds were distributed in 2004 or prior. The amount of principal and interest received in loan repayments for the year totaled \$4,380.

**NOTE 4 – FEDERAL LOANS**

The City of Sunnyside was approved by the Environmental Protection Agency to receive a loan totaling \$4,040,000 to drill and install drinking water wells. The amount listed includes loan proceeds received during the year and loan amounts requested for reimbursement at year-end but not received until the following year. The current year loan proceeds received are also reported on the City's *Schedule 09 – Long-Term Debt*.

**NOTE 5 – COMMUNITY DEVELOPMENT BLOCK GRANT**

In 2009, the City submitted and received Community Development Block Grant funding from the Department of Commerce for off-site infrastructure improvements to a project consisting of development and construction of up to twelve single-family residences proposed by Catholic Charities Housing Services. All funding was passed through the City to the Catholic Charities Housing Services.

**NOTE 6 – AMERICAN RECOVERY AND REINVESTMENT ACT (AARA) of 2009**

Expenditures for this program were funded by AARA.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**Jim Brittain, CPA**  
**Jan Jutte, CPA, CGFM**  
**Ivan Dansereau**  
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