



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Sunnyside

For the period January 1, 2020 through December 31, 2020

Published November 24, 2021

Report No. 1029368



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

November 24, 2021

Council
City of Sunnyside
Sunnyside, Washington

Report on Financial Statements

Please find attached our report on the City of Sunnyside's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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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 Sunnyside January 1, 2020 through December 31, 2020

Council
City of Sunnyside
Sunnyside, 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 Sunnyside, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 18, 2021.

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.

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City of Sunnyside is unknown.

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) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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*.

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

November 18, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Sunnyside January 1, 2020 through December 31, 2020

Council
City of Sunnyside
Sunnyside, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sunnyside, for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility 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 *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Sunnyside has prepared these financial statements to meet the financial reporting requirements of state law using 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 financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Sunnyside, and its changes in cash and investments, for the year ended December 31, 2020, on the basis of accounting described in Note 1.

Basis for 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. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

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 Sunnyside, as of December 31, 2020, or the changes in financial position or cash flows thereof for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Matters of Emphasis

As discussed in Note 4 to the 2020 financial statements, the full extent of the COVID-19 pandemic’s direct or indirect financial impact on the City of Sunnyside is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021 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 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.



Pat McCarthy, State Auditor

Olympia, WA

November 18, 2021

FINANCIAL SECTION

City of Sunnyside January 1, 2020 through December 31, 2020

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
Notes to Financial Statements – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2020

City of Sunnyside
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

| | <u>Total for All Funds (Memo Only)</u> | <u>001 GENERAL FUND</u> | <u>101 STREET FUND</u> |
|---|--|-----------------------------|----------------------------|
| Beginning Cash and Investments | | | |
| 308 | Beginning Cash and Investments | 7,194,633 | 1,792,035 |
| 388 / 588 | Net Adjustments | - | - |
| Revenues | | | |
| 310 | Taxes | 12,349,993 | - |
| 320 | Licenses and Permits | 347,933 | 1,544 |
| 330 | Intergovernmental Revenues | 2,244,962 | 582,279 |
| 340 | Charges for Goods and Services | 11,646,363 | 406 |
| 350 | Fines and Penalties | 165,845 | - |
| 360 | Miscellaneous Revenues | 344,244 | 448 |
| Total Revenues: | <u>27,099,340</u> | <u>12,227,245</u> | <u>584,677</u> |
| Expenditures | | | |
| 510 | General Government | 2,407,648 | - |
| 520 | Public Safety | 9,294,662 | - |
| 530 | Utilities | 7,001,070 | - |
| 540 | Transportation | 1,287,358 | 934,601 |
| 550 | Natural/Economic Environment | 271,602 | - |
| 560 | Social Services | 20,610 | - |
| 570 | Culture and Recreation | 686,021 | - |
| Total Expenditures: | <u>20,968,971</u> | <u>9,824,124</u> | <u>934,601</u> |
| Excess (Deficiency) Revenues over Expenditures: | 6,130,369 | 2,403,121 | (349,924) |
| Other Increases in Fund Resources | | | |
| 391-393, 596 | Debt Proceeds | - | - |
| 397 | Transfers-In | 2,100,445 | 883,509 |
| 385 | Special or Extraordinary Items | - | - |
| 381, 382, 389, 395, 398 | Other Resources | 296,835 | - |
| Total Other Increases in Fund Resources: | <u>2,397,280</u> | <u>2,633</u> | <u>883,509</u> |
| Other Decreases in Fund Resources | | | |
| 594-595 | Capital Expenditures | 2,497,677 | 501,552 |
| 591-593, 599 | Debt Service | 1,894,661 | 298 |
| 597 | Transfers-Out | 2,100,445 | - |
| 585 | Special or Extraordinary Items | - | - |
| 581, 582, 589 | Other Uses | 279,503 | - |
| Total Other Decreases in Fund Resources: | <u>6,772,286</u> | <u>2,020,073</u> | <u>501,850</u> |
| Increase (Decrease) in Cash and Investments: | <u>1,755,363</u> | <u>385,681</u> | <u>31,735</u> |
| Ending Cash and Investments | | | |
| 50821 | Nonspendable | - | - |
| 50831 | Restricted | 1,354,063 | 6,649 |
| 50841 | Committed | 124,171 | - |
| 50851 | Assigned | 5,775,387 | 190,515 |
| 50891 | Unassigned | 1,696,375 | - |
| Total Ending Cash and Investments | <u>8,949,996</u> | <u>2,177,720</u> | <u>197,164</u> |

The accompanying notes are an integral part of this statement.

| 120 INVESTIGATIVE FUND | CRIME PREVENTION FUND | 140 PUBLIC SAFETY (L&J 3/10) TAX FUND | 160 TOURISM EXPANSION FUND | 201 GENERAL OBLIGATION BONDS FUND | DEVELOPMENT BLOCK GRANT FUND |
|-------------------------------|------------------------------|--|-----------------------------------|--|-------------------------------------|
| 28,082 | 121,345 | 142,965 | 171,401 | 1 | 35,803 |
| - | - | - | - | - | - |
| - | - | 504,123 | 87,796 | 440,675 | - |
| - | - | - | - | - | - |
| - | - | 179 | 1 | - | - |
| - | - | - | - | - | - |
| - | 11,004 | - | - | - | - |
| 179 | 2,076 | 677 | 407 | - | 1,596 |
| <u>179</u> | <u>13,080</u> | <u>504,979</u> | <u>88,204</u> | <u>440,675</u> | <u>1,596</u> |
| - | - | - | - | - | - |
| 3,542 | 48,131 | 400,906 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 43,082 | 46,974 | - | 58 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>3,542</u> | <u>48,131</u> | <u>443,988</u> | <u>46,974</u> | <u>-</u> | <u>58</u> |
| (3,363) | (35,051) | 60,991 | 41,230 | 440,675 | 1,538 |
| - | - | - | - | - | - |
| - | - | - | - | 219,540 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>219,540</u> | <u>-</u> |
| - | - | 16,276 | - | - | - |
| - | - | 9,780 | - | 660,216 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>26,056</u> | <u>-</u> | <u>660,216</u> | <u>-</u> |
| (3,363) | (35,051) | 34,935 | 41,230 | (1) | 1,538 |
| - | - | - | - | - | - |
| - | - | 177,900 | 212,631 | - | 37,341 |
| 24,719 | 86,294 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>24,719</u> | <u>86,294</u> | <u>177,900</u> | <u>212,631</u> | <u>-</u> | <u>37,341</u> |

The accompanying notes are an integral part of this statement.

| CAPITAL IMPROVEMENTS (REET 1) FUND | CAPITAL IMPROVEMENT (REET 2) FUND | 322 FIRE EQUIPMENT RESERVE FUND | 326 FIRE CAPITAL PROJECTS FUND | 410 WATER FUND | 420 SEWER FUND |
|---|--|--|---------------------------------------|-----------------------|-----------------------|
| 33,926 | 333,851 | 41,520 | - | 1,037,585 | 2,221,054 |
| - | - | - | - | - | - |
| 184,885 | 184,885 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 23,693 | 13,208 |
| - | - | - | - | 3,189,549 | 3,733,782 |
| - | - | - | - | - | - |
| 217 | 1,637 | 169 | - | 20,020 | 16,346 |
| <u>185,102</u> | <u>186,522</u> | <u>169</u> | <u>-</u> | <u>3,233,262</u> | <u>3,763,336</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 2,341,636 | 2,336,272 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 545 | - | - | - | - |
| - | 545 | - | - | 2,341,636 | 2,336,272 |
| <u>185,102</u> | <u>185,977</u> | <u>169</u> | <u>-</u> | <u>891,626</u> | <u>1,427,064</u> |
| - | - | - | - | - | - |
| - | - | - | 247,396 | 375,000 | 375,000 |
| - | - | - | - | - | - |
| - | - | - | - | - | 294,202 |
| - | - | - | <u>247,396</u> | <u>375,000</u> | <u>669,202</u> |
| - | - | - | 247,396 | 525,898 | 1,135,832 |
| - | - | - | - | 382,793 | 748,875 |
| 113,509 | - | 41,477 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>113,509</u> | <u>-</u> | <u>41,477</u> | <u>247,396</u> | <u>908,691</u> | <u>1,884,707</u> |
| 71,593 | 185,977 | (41,308) | - | 357,935 | 211,559 |
| - | - | - | - | - | - |
| 105,518 | 519,828 | - | - | 137,060 | 117,595 |
| - | - | - | - | - | - |
| - | - | 212 | - | 1,258,459 | 2,315,017 |
| - | - | - | - | - | - |
| <u>105,518</u> | <u>519,828</u> | <u>212</u> | <u>-</u> | <u>1,395,519</u> | <u>2,432,612</u> |

The accompanying notes are an integral part of this statement.

| 430 GARBAGE FUND | 440 AMBULANCE/EM S FUND | 450 STORMWATER FUND | 501 EQUIPMENT RENTAL FUND | INFORMATION TECHNOLOGY FUND |
|-----------------------------|--|------------------------------------|--------------------------------------|--|
| 139,440 | 742,284 | 187,916 | - | - |
| - | - | - | - | - |
| - | 1,524,509 | - | - | - |
| - | - | - | - | - |
| 2,410 | 379,831 | 5,039 | 2,590 | 16,292 |
| 1,923,645 | 891,284 | 247,417 | 293,830 | 324,384 |
| - | - | - | - | - |
| 1 | 259,080 | 2 | - | - |
| 1,926,056 | 3,054,704 | 252,458 | 296,420 | 340,676 |
| - | - | - | - | 340,678 |
| - | 2,028,998 | - | - | - |
| 2,054,617 | - | 268,545 | - | - |
| - | - | - | 296,262 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 2,054,617 | 2,028,998 | 268,545 | 296,262 | 340,678 |
| (128,561) | 1,025,706 | (16,087) | 158 | (2) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 4,272 | - | - | - |
| - | 31,099 | - | 156 | - |
| - | 170,508 | - | - | - |
| - | - | - | - | - |
| - | 162,276 | - | - | - |
| - | 368,155 | - | 156 | - |
| (128,561) | 657,551 | (16,087) | 2 | (2) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| 10,877 | 1,399,834 | 171,827 | - | - |
| - | - | - | - | - |
| 10,877 | 1,399,834 | 171,827 | - | - |

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, 2020

| | | Total for All Funds (Memo Only) | Investment Trust | Private-Purpose Trust |
|-----------|--|--|-------------------------|----------------------------------|
| 308 | Beginning Cash and Investments | 165,370 | 160,861 | 4,509 |
| 388 & 588 | Net Adjustments | - | - | - |
| 310-390 | Additions | 867,273 | 867,273 | - |
| 510-590 | Deductions | 884,037 | 884,037 | - |
| | Net Increase (Decrease) in Cash and Investments: | (16,764) | (16,764) | - |
| 508 | Ending Cash and Investments | 148,607 | 144,098 | 4,509 |

The accompanying notes are an integral part of this statement.

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Note 1 - Summary of Significant Accounting Policies

The City of Sunnyside was incorporated on September 16, 1902 and operates under the laws of the state of Washington applicable to a City. The city is a general purpose local government and provides public safety (Police, Fire and Jail), Municipal Court, public improvements (streets, traffic signals), sanitation (solid waste disposal, sanitary sewer facility), water utility, stormwater utility, ambulance/ems utility, community development, parks and recreation.

The City of Sunnyside 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 (see *Notes to the Financial Statements*).
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

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.

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Special Revenue Funds

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

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.

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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.

FIDUCIARY FUND TYPES:

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

Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

Custodial Funds

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

B. Basis of Accounting and Measurement Focus

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

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

C. Cash and Investments

See Note 5 - *Deposits and Investments*.

D. Capital Assets

The City of Sunnyside does not have a capital asset policy. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 300 hours for all non-represented employees and all union employees excluding Police Support, Police Guild and Fire can accrue up to 360 hours and payable upon separation or retirement. Sick leave may be accumulated indefinitely excluding Firefighters and Police Guild can cash out balances exceeding 1040 hours annually at 25%. Upon separation or retirement employees do receive payment for unused sick leave at 25% if employed ten or more years. Payments are recognized as expenditures when paid. The total dollar amount for all unpaid leave as of 12/31/2020 is \$971,748.49.

F. Long-Term Debt

See Note 7 - *Long-Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of:

| Fund Name | Portion of Ending Balance | | Combined | Reason for Restriction or Commitment |
|------------------------------|---------------------------|-----------|----------|---|
| | Restricted | Committed | | |
| 016 General Fund Capital | 39,541 | | 39,541 | Runway/Taxiway; SCBA; Airport Contamination; SIED Loan (Grants) |
| 106 Street Fund Capital | 6,649 | | 6,649 | Stackhouse; E. Edison 1/2; 6th St; 7th -9th Sidewalk; LED Streelight Grants |
| 115 Contingency Fund | | 13,158 | 13,158 | RCW 35A.33.145, restricted to \$0.375 per thousand assessed property value |
| 120 Investigative Fund | | 24,719 | 24,719 | Ordinance 2009-14 |
| 130 PD Crime Prevention Fund | | 86,294 | 86,294 | Ordinance 1986-1559 |
| 140 Public Safety Tax | 177,900 | | 177,900 | Ordinance 2005-2095 - Public Safety Tax, RCW 82.14.450 |
| 160 Tourism Expansion Fund | 212,631 | | 212,631 | RCW 67.28.1816 |
| 303 CDBG Fund | 37,341 | | | Federal Restriction, must be used for CDBG eligible activity |
| 304 REET 1 | 105,518 | | | RCW 82.46.010 |
| 305 REET 2 | 519,828 | | | RCW 82.46.035 |
| 411 WA Bond Reserve | 117,593 | | | Bond Covenant |
| 415 WA Revenue Bond | 117,593 | | | Bond Covenant |
| 421 SW Bond Reserve | 19,467 | | | Bond Covenant |
| 425 SW Revenue Bond | 117,593 | | | Bond Covenant |
| 601 Jail Trust | 2 | | | Fiduciary Fund |
| 602 Sunnyside Court Trust | 84,436 | | | Fiduciary Fund |
| 610 State Court Fines | 21,990 | | | Fiduciary Fund |
| 621 PD Honor Guard | 4,509 | | | Fiduciary Fund |
| <i>Totals</i> | 1,582,589 | 124,171 | 560,890 | |

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Note 2 - Budget Compliance

The City of Sunnyside adopts annual appropriated budgets for all funds excluding fiduciary funds which are not budgeted. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

| Fund Number | Fund Description | Final Appropriated | Actual | Variance |
|-------------|--|--------------------|---------------|------------|
| | | Amounts | Expenses | |
| 001 | GENERAL FUND | 11,906,944.00 | 11,042,693.73 | 864,250.27 |
| 016 | GENERAL CAPITAL PROJECTS FUND | 995,961.00 | 816,451.24 | 179,509.76 |
| 099 | PAYROLL LIABILITY FUND | | -14,949.48 | -14,949.48 |
| 115 | CONTINGENCY FUND | | | 0.00 |
| 101 | STREET FUND | 1,146,775.00 | 934,895.36 | 211,879.64 |
| 106 | STREET CAPITAL PROJECTS FUND | 763,175.00 | 501,551.37 | 261,623.63 |
| 120 | INVESTIGATIVE FUND | 14,550.00 | 3,541.43 | 11,008.57 |
| 130 | POLICE DEPT CRIME PREVENTION FUND | 68,850.00 | 48,130.78 | 20,719.22 |
| 140 | PUBLIC SAFETY (L&J 3/10) TAX FUND | 572,826.00 | 470,044.33 | 102,781.67 |
| 160 | TOURISM EXPANSION FUND | 153,888.00 | 46,974.65 | 106,913.35 |
| 201 | GENERAL OBLIGATION BONDS FUND | 660,686.00 | 660,215.50 | 470.50 |
| 303 | COMMUNITY DEVELOPMENT BLOCK GRANT FUND | 60 | 58.45 | 1.55 |
| 304 | LOCAL CAPITAL IMPROVEMENTS (REET 1) FUND | 145,859.00 | 113,509.00 | 32,350.00 |
| 305 | LOCAL CAPITAL IMPROVEMENT (REET 2) FUND | 550 | 545.06 | 4.94 |
| 322 | FIRE EQUIPMENT RESERVE FUND | 41,477.00 | 41,477.00 | 0.00 |
| 326 | FIRE CAPITAL PROJECTS FUND | 262,320.00 | 247,396.25 | 14,923.75 |
| 410 | WATER FUND | 2,757,092.00 | 2,611,146.08 | 145,945.92 |
| 411 | WATER BOND RESERVE FUND | 180 | | 180.00 |
| 415 | WATER REVENUE BOND FUND | 113,400.00 | 113,284.30 | 115.70 |
| 416 | WATER CAPITAL PROJECTS FUND | 664,991.00 | 525,898.11 | 139,092.89 |
| 420 | SEWER FUND | 3,351,528.00 | 2,971,862.90 | 379,665.10 |
| 421 | SEWER BOND RESERVE FUND | 180 | | 180.00 |
| 425 | SEWER REVENUE BOND FUND | 113,370.00 | 113,284.30 | 85.70 |
| 426 | SEWER CAPITAL PROJECTS FUND | 1,853,854.00 | 1,135,831.97 | 718,022.03 |
| 430 | GARBAGE FUND | 2,072,495.00 | 2,054,618.61 | 17,876.39 |
| 440 | AMBULANCE/EMS FUND | 2,489,221.00 | 2,392,880.55 | 96,340.45 |
| 446 | AMBULANCE/EMS CAPITAL PROJECTS FUND | 33,291.00 | 4,271.72 | 29,019.28 |
| 450 | STORMWATER FUND | 279,738.00 | 268,545.59 | 11,192.41 |
| 501 | EQUIPMENT RENTAL FUND | 333,620.00 | 296,419.36 | 37,200.64 |
| 504 | INFORMATION TECHNOLOGY FUND | 351,150.00 | 340,676.58 | 10,473.42 |

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's legislative body.

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Fund 099 – Payroll Liability Fund shows a variance of (\$14,949.48) which is from Employee portion of unpaid payroll liabilities. This fund will always have a negative balance at the end of the year because the fourth quarter liabilities are paid in January of the following year.

Note 3 – Component Unit(s), Joint Ventures, and Related Parties

A. The City of Sunnyside has entered in to the following agreements, contracts, interlocal agreements or Memo's of Understanding:

| NO. | AGENCY | DESCRIPTION |
|-----------|---|---|
| A-2020-01 | HLA Engineering and Land Surveying, Inc. | Municipal engineering and planning services |
| A-2020-02 | City of Walla Walla | ILA - Inmate Housing (amendment 1) |
| A-2020-03 | Almon Commercial Real Estate | Addendum/amendment to purchase and sale agreement of Monson property |
| A-2020-04 | Department of Ecology | Water quality stormwater capacity grant agreements |
| A-2020-05 | Teamster's Local # 760 | Office/Clerical Collective Bargaining Agreement 2020 |
| A-2020-06 | City of Selah | ILA - Inmate Housing (amendment 1) |
| A-2020-07 | VanBelle Excavation | Thill Avenue utility extension |
| A-2020-08 | Catholic Charities Housing Services | Utility upsizing agreement |
| A-2020-09 | Yakima Valley Conference of Governments | Technical assistance contract |
| A-2020-10 | Target Solutions NPPGov Fire | Intergovernmental Cooperative Purchasing Agreement |
| A-2020-11 | Charter Spectrum | Radio upgrades |
| A-2020-12 | City of Clyde Hill | ILA - Inmate Housing |
| A-2020-13 | Yakima Valley Special Investigations Unit | ILA - "YVSIU" Officer involved incident investigations |
| A-2020-14 | Sunnyside School District | Gang Prevention and Intervention |
| A-2020-15 | Pacific Power | Electric vehicle charging station service contract |
| A-2020-16 | Port of Sunnyside | ILA - Maintenance of Centennial Square |
| A-2020-17 | Yakima County | SIED Contract Amendment # 1 (A-2017-68) |
| A-2020-19 | Teamster's Local # 760 | Office/Clerical Subscription Agreement |
| A-2020-20 | Pacific Power | Waste Water Treatment Plant Incentive Offer Letter |
| A-2020-21 | Pacific Power | Electric vehicle charging station grant |
| A-2020-22 | HLA Engineering and Land Surveying, Inc. | Addendum No. 1 - East Edison Avenue Half Street Improvements Project |
| A-2020-23 | Sunnyside Cal Ripken | Baseball field use at South Hill Park |
| A-2020-24 | Teamster's Local # 760 | Police Dept. support staff agreement Collective Bargaining Agreement and Subscription Agreement |
| A-2020-25 | Sunnyside Police Officers Guild | Guild Collective Bargaining Agreement |
| A-2020-26 | Teamster's Local # 760 | Division Supervisors Collective Bargaining Agreement (CBA) |
| A-2020-27 | Federal Aviation Administration | Entitlement Transfers to Deer Park Municipal Airport |
| A-2020-28 | ABM Industry Groups, LLC | Cleaning services monthly billing increase |
| A-2020-29 | City of Grandview | Memo of Understanding ILA for Emergency Medical Transport Services |
| A-2020-30 | A&A Promotions, LLC | 2020 Cinco de Mayo Festival Agreement Amendment |
| A-2020-31 | Wheeler Excavation, LLC | E. Edison Avenue (half-street) improvements |
| A-2020-32 | Federal Aviation Administration | CARES Act Grant |
| A-2020-33 | Yakima County Fire Districts | Yakima County Fire Protection District and Cities Mutual Aid Agreement |
| A-2020-34 | City of Grandview | Fire Department Automatic Aid Agreement |
| A-2020-35 | City of Mabton | Fire Department Automatic Aid Agreement |
| A-2020-36 | Yakima County Sheriff's Office | Subrecipient for High Intensity Drug Trafficking Areas (HIDTA) grant |

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

| NO. | AGENCY | DESCRIPTION |
|-----------|---|---|
| A-2020-37 | Washington State Department of Commerce | Coronavirus relief fund for local governments grant |
| A-2020-38 | Ag Pro Consturction, Inc. | Waste Water Treatment Plan Incentive Project |
| A-2020-39 | Kinter Electric, Inc. | Waste Water Treatment Plan Incentive Project |
| A-2020-40 | Tolman Electric, Inc. | Waste Water Treatment Plan Incentive Project |
| A-2020-41 | Yakima Valley Tourism | 2020 Tourism Services for Advertising |
| A-2020-42 | American Legion Post 73 | 2020 Tourism Services Jerry Taylor Veterans Memorial |
| A-2020-43 | A&A Promotions | Sunshine Days |
| A-2020-44 | Sort 4 the Cause | Sort 4 the Cause |
| A-2020-45 | Sunnyside Rotary | Lighted Farm Implement Parade |
| A-2020-46 | Sunnyside Sun | Lower Valley Visitors Guide |
| A-2020-47 | Columbia Pumping & Construction | Sewer Pipelining Project |
| A-2020-48 | Department of Ecology | Airport pesticide clean-up grant |
| A-2020-49 | Hal's Tree Service | Central Park Tree Removal |
| A-2020-50 | Washington State Department of Commerce | Amendment - Coronavirus relief fund for local governments grant |
| A-2020-51 | Yakima County Development Association (YCDA) | CARES Act Grant Small Business Assistance Program |
| A-2020-52 | S.G. Wilson Truck & Equipment | Fire Engine Truck |
| A-2020-53 | Doug Shelton | Community Development Counter Modification Project (COVID-19) |
| A-2020-54 | Jose Martinez Velez | Agreement for Construction Improvements at 501 Sheller Court |
| A-2020-55 | City of Othello | ILA - Inmate Housing (amendment 2) |
| A-2020-56 | Columbia Pumping & Construction | Sewer Pipelining Project, 6th to 1st |
| A-2020-57 | Washington State Transportation Improvement Board | Fuel Tax Grant Agreement Midvale Road, Duffy Road to WSDOT ROW |
| A-2020-58 | Washington Department of Natural Resources (DNR) | ILA - State Mobilization |
| A-2020-59 | Yakama Legends Casino Hotel Charitable Donation Committee | Donation |
| A-2020-60 | HLA Engineering and Land Surveying, Inc. | Task Order 2020-02 Midvale Road Improvements |
| A-2020-62 | iWorQ | Permitting software |
| A-2020-63 | HLA Engineering and Land Surveying, Inc. | Task Order 2020-01 Swan Road Watermain Improvements |
| A-2020-64 | Steve and Mary Norling | Agreement for Construction Improvements at 480 Riverside Drive |
| A-2020-65 | MLS Company, Inc. | Addendum/amendment to purchase and sale agreement of Monson property |
| A-2020-66 | MRSC | Small Works Roster |
| A-2020-67 | City of Yakima | Interlocal Agreement (ILA) Emergency Aid Response |
| A-2020-68 | Washington State Health Care Authority | Washington Apple Health (Medicaid) Ground Emergency Medical Transportation (GEMT) Program |
| A-2020-69 | Precision Construction Contractors | Fire Department Residency |
| A-2020-70 | Sunnyside Sun | 2021 Official Newspaper |
| A-2020-71 | Yakima Health District | Community Center Facility Use Agreement |
| A-2020-72 | Yakima Humane Society | Animal Control Services |
| A-2020-73 | City of Ellensburg | ILA - Inmate Housing (amendment 3) |
| A-2020-74 | Yakima County Sheriff's Office | High Intensity Drug Trafficking Areas Program (HIDTA) Grant |

B. The Lodging Tax Advisory Committee (LTAC) reviews grant applications, requests for proposals and make recommendations to the City Council regarding allocation of local lodging tax funds in accordance with RCW 67.28.1817 and Sunnyside Municipal Code 2.50.120. The committee review and comments on any proposed imposition of lodging tax, increase in the rate of the tax, repeal of an exemption from lodging tax, or change in the use of revenue received from lodging tax per RCW 67.28.1817. The following LTAC contracts were awarded in 2020:

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

- a. Yakima Valley Tourism for Sunnyside tourism marketing.
- b. A & A Promotions for Sunshine Days and Parade
- c. Sunnyside Noon Rotary Club for Sunnyside Lighted Farm Implement Parade
- d. Sunnyside Sun Media for Lower Yakima Valley Visitors Guide
- e. American Legion Post 73 for Jerry Taylor Veterans Plaza

Note 4 – COVID-19 Pandemic

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

A five-year analysis was reviewed for revenue impacts due to the declared state of emergency related to COVID-19. The 2019 and 2020 actual revenues were compared to see the impact to revenues. For all line items that were negatively impacted, the total impact to revenues was \$3,806,834.39. On that same note, there were many other revenue line items that were greatly increased in 2020 making the negative impact less severe. The 2020 actual expenditures stayed at or near the 2019 levels reducing the impact to expenditures. The overall impact is still being evaluated and a course of action to be determined during summer of 2021.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City of Sunnyside is unknown at this time.

Note 5 – Deposits and Investments

Investments are reported at original cost. Deposits and investments by type at December 31, 2020 are as follows:

| Type of Deposit or Investment | City of Sunnyside's own deposits & investments | Deposits & investments held by the City of Sunnyside as custodian for other local governments, individuals, or private organizations. | Combined |
|---|--|---|-----------|
| Local Government Investment Pool (LGIP) | 3,981,958 | | 3,981,958 |
| US Bank, Treasurer's Account | 5,613,114 | | 5,613,114 |
| Petty Cash | 1,400 | | 1,400 |
| US Bank, Municipal Court Trust Account | | 101,982 | 101,982 |
| US Bank, Police Dept Jail Trust Fund | | 37,137 | 37,137 |
| <i>Totals</i> | 9,596,472 | 139,119 | 9,735,591 |

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

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Investments in the State Local Government Investment Pool (LGIP)

The City of Sunnyside 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 of Sunnyside would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Sunnyside 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 of Sunnyside or its agent in the government's name.

Other Disclosures

A. COMBINED FUNDS

General Fund: The Payroll Liability Fund (099), General Capital Projects Fund (016) and the Contingency Fund (115) are rolled in to the (001) General Fund. The Payroll Liability Fund was established as a result of the change from the double-entry accrual accounting used in the Eden Software system to the cash basis used with BIAS software. The General Capital Projects Fund was created in 2019 in order to track capital expenditures and manage grants. The Contingency Fund was designated as a special revenue fund for managerial purposes but it was originally sourced from the General Fund and is therefore rolled into that fund.

In past years, the City of Sunnyside budgeted all capital expenditures within the fund. In 2019, each fund was set up with a corresponding capital projects fund. These funds are budgeted separately and funded with an interfund transfer from the originating fund. For the purposes of the annual report, the capital project subset funds are rolled to the original fund in order to have our financial statements comparable to previous years. All subset funds end in the number six (6) and are labeled clearly as a capital projects fund. See note 2 budget compliance.

B. INMATE HOUSING

City's of Granger, Zillah, Toppenish, Walla Walla, Mt. Lake Terrace, Grandview, Granger, Fife, Lynnwood, Yakima, Zillah, Othello, Mabton, Orting, Selah, Gig Harbor,

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Milton, Ellensburg, College Place and Briar; County of Kittitas; US Department of Justice; State of Washington Department of Corrections contract through an interlocal agreement with the City of Sunnyside for housing prisoners. The City of Sunnyside houses the prisoners and bills monthly each jurisdiction according the contracted bed rate for that entity. Some contracts call for the City of Sunnyside to provide transportation.

C. PENDING AND THREATENED LITIGATION

Because of its activities, and federal and state grant awards, the City of Sunnyside is subject to certain legal actions which arise in the ordinary course of business.

Currently we have knowledge of the following outstanding or potential lawsuits against the City that has been referred to our insurance provider, Washington Cities Insurance Authority, for claims handling:

| Status | Type of Claim | Status Type | Loss Date | Total Incurred |
|--------|----------------------|-------------|-----------|----------------|
| Open | Errors & Omissions | Legal | 4/15/2019 | 350,000.00 |
| Open | Auto Physical Damage | In-House | 9/17/2020 | 25,000.00 |
| Open | Auto Physical Damage | In-House | 3/17/2021 | 3,000.00 |
| Open | General Liability | In-House | 4/14/2021 | 250.00 |

The City of Sunnyside was served with a Summons and Petition on March 30, 2021 in the amount of \$55,273.66 for the return of seized property. This case does not fall under the WCIA claims structure so the City of Sunnyside has hired a private attorney to represent the city in the case.

Note 6 - Interfund Loans

The following table displays interfund loan activity during 2020:

| Borrowing Fund | Lending Fund | Beginning Balance | New Loans | Payments | Ending Balance |
|--------------------|--------------|-------------------|-----------|------------|----------------|
| General Fund | Sewer Fund | 324,551.24 | - | 131,925.65 | 192,625.59 |
| Ambulance/EMS Fund | Sewer Fund | 162,275.62 | - | 162,275.62 | - |

*2019 report included the interest in the reduction, making the beginning balance off from prior year ending balance

Note 7 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Sunnyside and summarizes the City of Sunnyside’s debt transactions for year ended December 31, 2020.

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

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

| Year | Principal | Interest | Total Debt Service |
|---------------|------------|-----------|--------------------|
| 2020 | 1,630,439 | 350,585 | 1,981,024 |
| 2021 | 1,695,006 | 286,641 | 1,981,647 |
| 2022 | 1,721,169 | 256,868 | 1,978,038 |
| 2023 | 1,664,271 | 227,501 | 1,891,772 |
| 2024 | 1,701,651 | 200,540 | 1,902,191 |
| 2025 | 1,723,108 | 172,222 | 1,895,330 |
| 2026-2030 | 4,171,066 | 445,691 | 4,616,757 |
| 2031-2035 | 475,000 | 21,375 | 496,375 |
| <i>Totals</i> | 14,781,709 | 1,961,424 | 16,743,133 |

Unused Lines of Credit

At fiscal year end, the City of Sunnyside had \$76,500 available in unused lines of credit.

| Institution | Amount |
|----------------------------|----------|
| US Bank - Purchasing Cards | \$75,000 |
| Wal-Mart Community Card | \$1,500 |

Assets Pledged as Collateral for Debt

The following debt is secured by assets that are pledged as collateral:

| Title | Debt | Asset |
|--------------------------------|-----------------|--|
| US Bank # 9 | \$ 181,483.00 | (2) 2017 Ford Explorers, (1) 2017 Chevy Tahoe, (1) 2017 Chevy Express G3 Cargo Van, (33) Portable radios, (3) Zoll Heart Monitors, and SAN Network |
| 2012 A UTGO Bonds | \$ 4,015,000.00 | 2013 Fire Station and 2016 Ladder Fire Truck |
| 2017 LTGO Refunding Bonds | \$ 1,345,000.00 | Monson Property, Parcel #s 221028-12001, 221028-11003, and 22102-12006 |
| 2017 WA/SW Rev Refunding Bonds | \$ 1,462,000.00 | Reserve Funds of \$228,500, see Funds # 411 and 421 |

Significant Debt Agreement Terms

The following financial instruments contain debt agreement terms with finance related consequences:

| Debt | Cause |
|-------------|--|
| US Bank # 9 | May declare all installment Payments and other amount payable by the end of the then-current budget year to be due. May retake possession of the property. |

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Note 8 – OPEB Plans

The LEOFF I Retiree Medical Plan is a closed, single-employer, defined-benefit OPEB plan administered by the City of Sunnyside as required by RCW 41.26.150. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go basis. As of December 31, 2020, the plan had 9 members, all retirees. For the year ending December 31, 2020, the City of Sunnyside paid \$67,316 for insurance benefits and \$6,491 for long-term disability benefits for a total of \$73,807 in premium payments. In addition, the City paid directly to retirees for out-of-pocket medical costs of \$17,288.

| Plan Name | Plan Administrator | Type (DBP or DCP) | Plan Description | # of Active Employees | # of Retired Employees | Employer Contribution | Liability |
|---------------------------------------|--------------------------|-------------------|-----------------------------------|-----------------------|------------------------|-----------------------|-----------|
| Unum Life Insurance | Unum Life Insurance | DBP | Long-term Care | 0 | 9 | 6,491 | |
| WA Teamsters Welfare Trust | Northwest Administrators | DBP | Medical, Dental, Vision Insurance | 0 | 9 | 67,316 | 5,491,865 |
| LEOFF I Retiree Out-of-Pocket Medical | City of Sunnyside-HR | DCP | LEOFF 1 Reimbursements | 0 | 9 | 17,288 | |
| | | | | | Total | 91,095 | 5,491,865 |

Note 9 – Paid Family Medical Leave Act Self-Insurance

The City of Sunnyside administers a voluntary plan for paid family and medical leave benefits for its employees. Voluntary plans are approved by the Employment Security Department and are available for employers who wish to opt out of the State of Washington's Paid Family & Medical Leave Program for either family leave benefit, medical leave benefit, or both, and instead administer their own internal plan. Employers with voluntary plans are required to offer benefits that are equal to or exceed the benefits offered by the State's program and must report employee hours, wages, premiums deducted from employee pay, and other information to the Employment Security Department on a quarterly basis.

Note 10 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Sunnyside 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.

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

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

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

The City of Sunnyside also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2020, the City of Sunnyside's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

| Plan Type | Employer Contributions | Allocation Percentage | Plan Liability / Asset | NP Liabilities + | NP Assets - |
|-------------|------------------------|-----------------------|------------------------|------------------|----------------|
| PERS 1 | 3,648.27 | 0.00050300% | 3,530,540,000 | 17,759 | |
| PERS 1 UAAL | 174,037.91 | 0.02401400% | 3,530,540,000 | 847,824 | |
| PERS 2/3 | 283,234.80 | 0.03074450% | 1,278,943,000 | 393,205 | |
| PSERS 2 | 4,494.39 | 0.010176% | (13,760,000) | | (1,400) |
| LEOFF 1 | | 0.02091700% | (1,888,509,000) | | (395,019) |
| LEOFF 2 | 199,860.09 | 0.10216700% | (2,039,854,000) | | (2,084,058) |
| VRRFPF - PD | 90 | 0 | (35,240,000) | 16,327 | |
| VFFRPF | 570.00 | 0.29000000% | (35,240,000) | 103,407 | * |
| | | Totals | | 1,378,521 | (2,480,477) \$ |

LEOFF Plan 1

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

LEOFF Plan 2

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

B. Local Government Pension Plans

The City of Sunnyside is the administrator of a pension retirement system called the Firemen's Relief and Pension Fund. The system was shown as a trust fund in 2018, but was moved to the

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

General Fund in 2019 at the recommendation of the auditor. The beginning fund balance shows a reserve amount to cover the cost of this retirement. As of December 31, 2020, there were a total of three individuals covered by this system. The City's payments to covered employees or beneficiaries for the year ended December 31, 2020 were \$13,966.01. Survivor benefits ceased for the last retiree spouse in December, 2020.

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 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 as necessary. Active pension plan members are not required to contribute to the plan. The plan is administered on a pay-as-you-go basis.

C. Defined Contribution Pension Plans

| Name of the Plan | Plan Coordinator | Defined Contribution Plan | EE Rate* | ER Rate | Total ER Contributions |
|---|------------------|---------------------------|----------|---------|------------------------|
| ICMA-RC | Elizabeth Alba | 457 | 3-5% | 3% | \$ 63,558.27 |
| Great West - 457 | Elizabeth Alba | 457 | 1-3% | 1-3% | \$ 41,006.19 |
| Western Conference of Teamsters Pension Trust | Elizabeth Alba | Defined Benefit | Flat | Flat | \$ 62,612.87 |

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

Note 11 - Property Tax

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

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

The City of Sunnyside's regular levy for the year 2020 was \$2.49828942 per \$1,000 on an assessed valuation of \$926,609,819 for a total regular levy of \$2,315,688.99. In 2020, the City of Sunnyside had a voter-approved excess levy of \$0.47766020 per \$1,000 on excess value of \$922,570,061 for payment of General Obligation Bonds for a total additional levy of \$440,675.00

Note 12 – Risk Management

- A. Sunnyside is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 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 *The liability program assumes no liability deductibles apply to any coverage*. Claims deductible levels of \$25,000, \$50,000, \$100,000, \$250,000, \$500,000 and \$1,000,000 are potential coverage options for members that may at the sole discretion of WCIA, be extended to members. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations,

City of Sunnyside
Notes to the Financial Statements
For the year ended December 31, 2020

consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

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

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

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

- B. Accounting for State Unemployment Compensation per RCW 50.44.060 allows all local governments to make payments to the Employment Security Department (ESD) either by paying a tax basis or in-lieu contribution (reimbursement) basis. The City of Sunnyside chose to use the reimbursement basis for all unemployment claims. Under this option, the Employment Security Department will pay unemployment claims and then bill the City of Sunnyside for reimbursement.

In prior years, unemployment reimbursements were not budgeted, but were included on the benefit line item for the particular fund(s) and a budget amendment would be required if the spending authority exceeded the benefit line item during the year. In 2019, a separate line item was created to account for unemployment compensation in all fund/departments. Due to financial constraints, the line item was not funded unless an actual claim was paid to Employment Security Department.

As part of the 2020 budget development, the Finance Department did an analysis using Employment Security Department's 2019 Estimated Tax Rate Calculator to compare the actual expenses versus paying on a tax basis. The total benefit charges paid from July 1, 2014 to June 30, 2018 was \$116,657.13. The total taxable wages for this same time period were \$28,357,316.84 with a tax rate of 0.60% making the total tax payments to ESD \$170,143.90, an increase of \$53,486.77. It was determined to remain as a reimbursable employer and in the future develop a funding mechanism for budgeting unemployment compensation.

In 2021, City of Sunnyside began planning for funding line items for Employment Security Department payments. The process is on-going.

**City of Sunnyside
Schedule of Liabilities
For the Year Ended December 31, 2020**

| ID. No. | Description | Due Date | Beginning Balance | Additions | Reductions | Ending Balance |
|---|--|-----------------|--------------------------|------------------|-------------------|-----------------------|
| General Obligation Debt/Liabilities | | | | | | |
| 251.11 | 2017 LTGO Refunding Bond (Taxible) | 12/1/2027 | 1,515,000 | - | 170,000 | 1,345,000 |
| 251.11 | 2012 (A) LTGO Bond | 12/1/2031 | 4,265,000 | - | 250,000 | 4,015,000 |
| 239.70 | US Bank #9, Equipment/SANS, 2017 | 11/25/2022 | 271,782 | - | 90,299 | 181,483 |
| 239.70 | SIED #5, Hospital | 6/1/2029 | 750,000 | - | 750,000 | - |
| Total General Obligation Debt/Liabilities: | | | 6,801,782 | - | 1,260,299 | 5,541,483 |
| Revenue and Other (non G.O.) Debt/Liabilities | | | | | | |
| 252.11 | 2017 Water/Sewer Revenue Refinance | 12/1/2027 | 1,654,000 | - | 192,000 | 1,462,000 |
| 263.82 | DWSRF Loan | 10/1/2025 | 1,565,677 | - | 260,946 | 1,304,731 |
| 263.82 | Ecology Loan | 4/16/2027 | 4,760,248 | - | 634,698 | 4,125,550 |
| 263.93 | Sunnyside Municipal Airport Pesticide Spray Shed | | 260,336 | - | 15,642 | 244,694 |
| 264.30 | Pension Liabilities Department of Retirement | | 1,286,857 | 91,664 | - | 1,378,521 |
| 264.30 | PreLEOFF1 Retiree, Pension | | 13,974 | - | 8 | 13,966 |
| 264.40 | LEOFF1 Retiree, OPEB | | 4,611,412 | 880,453 | - | 5,491,865 |
| 259.12 | Compensated Absences | | 899,916 | 71,832 | - | 971,748 |
| Total Revenue and Other (non G.O.) Debt/Liabilities: | | | 15,052,420 | 1,043,949 | 1,103,294 | 14,993,075 |
| Total Liabilities: | | | 21,854,202 | 1,043,949 | 2,363,593 | 20,534,558 |

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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