



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

**Financial Statements and Federal Single Audit  
Report**  
**City of Sunnyside**

**For the period January 1, 2019 through December 31, 2019**

**Published September 24, 2020**

**Report No. 1026996**





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

September 24, 2020

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,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Sunnyside January 1, 2019 through December 31, 2019

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

#### Financial Statements

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

#### Internal Control over Financial Reporting:

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

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

#### Federal Awards

#### Internal Control over Major Programs:

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

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

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

### **Identification of Major Federal Programs**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

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

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.



Office of Finance & Administrative Services

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**City of Sunnyside  
 January 1, 2019 through December 31, 2019**

This schedule presents the status of federal findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2018 – December 31, 2018	<b>Report Ref. No.:</b> 1024611	<b>Finding Ref. No.:</b> 2018-001	<b>CFDA Number(s):</b> 20.106
<b>Federal Program Name and Granting Agency:</b> Airport Improvement Program U.S. Department of Transportation Federal Aviation Administration		<b>Pass-Through Agency Name:</b> Washington State Department of Transportation	
<b>Finding Caption:</b> The City did not have adequate internal controls in place to ensure compliance with federal reporting requirements.			
<b>Background:</b> The City did not have adequate internal controls in place to ensure the 2018 annual SF-425 report was prepared, reviewed and submitted in a timely manner, as required by the grant agreement.			
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>City staff has reviewed the finding with our contracted engineering firm and we are in agreement with the State Auditor’s determination. We regret the tracking oversight that resulted in not filing the required SF-425 report.</i>  <i>Since receiving notice of this issue from the Auditor’s Office in late August, 2019, the City and our contracted engineering firm completed the 2018 SF-425 report and filed it with the Federal Aviation Administration (FAA) in September, 2019.</i>  <i>All SF-425 &amp; 270 reports have been completed and submitted to the FAA for their review and acceptance. City staff and our consultant have established tracking protocols to ensure these reports are completed and submitted timely.</i>			

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Sunnyside  
January 1, 2019 through December 31, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 16, 2020.

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 7 to the financial statements, in February 2020, a state emergency was declared that could have a negative financial effect on the City.

As discussed in Note 8 to the financial statements, during the year ended December 31, 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

## **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, stylized "P" and "M".

Pat McCarthy  
State Auditor  
Olympia, WA

September 16, 2020

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Sunnyside  
January 1, 2019 through December 31, 2019**

Council  
City of Sunnyside  
Sunnyside, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the City of Sunnyside, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2019. The City’s major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Other Matters**

We noted certain matters that we have reported to the management of the City in a separate letter dated September 16, 2020. Our opinion on each major federal program is not modified with respect to these matters.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we have reported to the management of the City in a separate letter dated September 16, 2020.

### **Purpose of this Report**

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



Pat McCarthy

State Auditor

Olympia, WA

September 16, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Sunnyside January 1, 2019 through December 31, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 17.

#### 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, 2019, 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, 2019, 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 7 to the financial statements, in February 2020, a state emergency was declared that could have a negative financial effect on the City.

As discussed in Note 8 to the financial statements, during the year ended December 31, 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual.

### **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 Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2020 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.

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

September 16, 2020

## **FINANCIAL SECTION**

### **City of Sunnyside January 1, 2019 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to Financial Statements – 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2019  
Schedule of Expenditures of Federal Awards – 2019  
Notes to the Schedule of Expenditures of Federal Awards – 2019

**City of Sunnyside**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<u>Total for All Funds (Memo Only)</u>	<u>001 GENERAL FUND</u>	<u>101 STREET FUND</u>
<b>Beginning Cash and Investments</b>				
30810	Reserved	1,204,466	29,469	(73,719)
30880	Unreserved	3,424,330	276,470	-
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	11,800,192	9,066,008	-
320	Licenses and Permits	387,353	385,376	1,977
330	Intergovernmental Revenues	2,722,336	951,350	1,383,708
340	Charges for Goods and Services	9,999,776	1,682,741	23,042
350	Fines and Penalties	199,560	187,340	-
360	Miscellaneous Revenues	407,982	97,150	25,901
Total Revenues:		<u>25,517,199</u>	<u>12,369,965</u>	<u>1,434,628</u>
<b>Expenditures</b>				
510	General Government	2,081,471	1,809,294	-
520	Public Safety	8,933,919	6,663,445	-
530	Utilities	4,717,962	-	-
540	Transportation	1,604,244	195,822	1,103,466
550	Natural and Economic Environment	347,579	182,952	-
560	Social Services	26,976	26,976	-
570	Culture and Recreation	767,350	767,350	-
Total Expenditures:		<u>18,479,501</u>	<u>9,645,839</u>	<u>1,103,466</u>
Excess (Deficiency) Revenues over Expenditures:		<u>7,037,698</u>	<u>2,724,126</u>	<u>331,162</u>
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	1,564,228	330,427	1,019,028
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	64,844	53,644	-
381, 382, 395, 398	Other Resources	121,701	8,528	-
Total Other Increases in Fund Resources:		<u>1,750,773</u>	<u>392,599</u>	<u>1,019,028</u>
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	3,004,077	479,464	1,110,800
591-593, 599	Debt Service	1,915,282	85,785	298
597	Transfers-Out	1,233,801	1,044,773	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	(43,686)	(54,841)	(45)
581, 582	Other Uses	113,173	75,449	-
Total Other Decreases in Fund Resources:		<u>6,222,647</u>	<u>1,630,630</u>	<u>1,111,053</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>2,565,824</u></b>	<b><u>1,486,095</u></b>	<b><u>239,137</u></b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	1,195,145	-	33,089
5088000	Unreserved	5,999,488	1,792,035	132,336
<b>Total Ending Cash and Investments</b>		<b><u>7,194,633</u></b>	<b><u>1,792,035</u></b>	<b><u>165,425</u></b>

<b>120 INVESTIGATIVE FUND</b>	<b>CRIME PREVENTION FUND</b>	<b>140 PUBLIC SAFETY (L&amp;J 3/10) TAX FUND</b>	<b>160 TOURISM EXPANSION FUND</b>	<b>201 GENERAL OBLIGATION BONDS FUND</b>	<b>DEVELOPMENT BLOCK GRANT FUND</b>
34,070	144,373	217,040	175,373	-	78,274
-	-	-	-	-	-
-	-	-	-	-	-
-	-	486,639	119,092	437,895	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,066	11,154	-	-	-	-
2,303	2,468	2,686	1,795	-	7,031
<u>3,369</u>	<u>13,622</u>	<u>489,325</u>	<u>120,887</u>	<u>437,895</u>	<u>7,031</u>
-	-	-	-	-	-
9,358	36,648	497,664	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	39,768	124,859	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,358</u>	<u>36,648</u>	<u>537,432</u>	<u>124,859</u>	<u>-</u>	<u>-</u>
<u>(5,989)</u>	<u>(23,026)</u>	<u>(48,107)</u>	<u>(3,972)</u>	<u>437,895</u>	<u>7,031</u>
-	-	-	-	-	-
-	-	-	-	214,773	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,773</u>	<u>-</u>
-	-	16,276	-	-	-
-	-	9,690	-	652,668	-
-	-	-	-	-	49,502
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>25,966</u>	<u>-</u>	<u>652,668</u>	<u>49,502</u>
<u>(5,989)</u>	<u>(23,026)</u>	<u>(74,073)</u>	<u>(3,972)</u>	<u>-</u>	<u>(42,471)</u>
28,082	121,345	142,965	171,401	1	35,803
-	-	-	-	-	-
<u>28,082</u>	<u>121,345</u>	<u>142,965</u>	<u>171,401</u>	<u>1</u>	<u>35,803</u>

<b>CAPITAL IMPROVEMENTS (REET 1) FUND</b>	<b>CAPITAL IMPROVEMENT (REET 2) FUND</b>	<b>322 FIRE EQUIPMENT RESERVE FUND</b>	<b>410 WATER FUND</b>	<b>420 SEWER FUND</b>	<b>430 GARBAGE FUND</b>
72,359	264,810	40,885	133,879	101,623	-
-	-	-	1,503,163	1,570,464	(2,144)
-	-	-	-	-	-
118,681	92,350	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,592,590	2,819,581	1,460,503
-	-	-	-	-	-
2,874	5,715	635	47,172	40,732	168
<b>121,555</b>	<b>98,065</b>	<b>635</b>	<b>2,639,762</b>	<b>2,860,313</b>	<b>1,460,671</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,723,315	1,502,266	1,319,088
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,723,315	1,502,266	1,319,088
<b>121,555</b>	<b>98,065</b>	<b>635</b>	<b>916,447</b>	<b>1,358,047</b>	<b>141,583</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,200	-	-
-	-	-	-	113,173	-
-	-	-	11,200	113,173	-
20,462	29,024	-	1,131,842	173,413	-
-	-	-	384,063	748,840	-
139,526	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,200	-	-
-	-	-	-	-	-
159,988	29,024	-	1,527,105	922,253	-
<b>(38,433)</b>	<b>69,041</b>	<b>635</b>	<b>(599,458)</b>	<b>548,967</b>	<b>141,583</b>
33,926	333,851	41,520	136,313	116,849	-
-	-	-	901,272	2,104,206	139,440
<b>33,926</b>	<b>333,851</b>	<b>41,520</b>	<b>1,037,585</b>	<b>2,221,055</b>	<b>139,440</b>

<b>440 AMBULANCE/EM S FUND</b>	<b>450 STORMWATER FUND</b>	<b>501 EQUIPMENT RENTAL FUND</b>	<b>INFORMATION TECHNOLOGY FUND</b>
(13,970)	-	-	-
-	76,377	-	-
-	-	-	-
1,479,527	-	-	-
-	-	-	-
337,278	50,000	-	-
617,419	234,557	297,167	272,176
-	-	-	-
163,132	275	7,945	-
<u>2,597,356</u>	<u>284,832</u>	<u>305,112</u>	<u>272,176</u>
-	-	-	272,177
1,726,804	-	-	-
-	173,293	-	-
-	-	304,956	-
-	-	-	-
-	-	-	-
<u>1,726,804</u>	<u>173,293</u>	<u>304,956</u>	<u>272,177</u>
<u>870,552</u>	<u>111,539</u>	<u>156</u>	<u>(1)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>42,796</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>33,781</u>	<u>-</u>	<u>157</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>37,724</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>114,301</u>	<u>-</u>	<u>157</u>	<u>-</u>
<u>756,251</u>	<u>111,539</u>	<u>(1)</u>	<u>(1)</u>
-	-	-	-
<u>742,283</u>	<u>187,916</u>	<u>-</u>	<u>-</u>
<u>742,283</u>	<u>187,916</u>	<u>-</u>	<u>-</u>

**City of Sunnyside**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

	<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>	<b>Pension/OPEB Trust Fund</b>	<b>Private-Purpose Trust</b>	
308	Beginning Cash and Investments	507,249	172,328	330,427	4,494
388 & 588	Net Adjustments	-	-	-	-
310-390	Additions	1,077,875	1,077,860	-	15
510-590	Deductions	1,419,752	1,089,325	330,427	-
	Net Increase (Decrease) in Cash and Investments:	(341,877)	(11,465)	(330,427)	15
508	Ending Cash and Investments	165,371	160,862	-	4,509

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**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 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 note 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 not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 5 - *Deposits and Investments*.

D. Capital Assets

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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 240 hours for all Union employees excluding Police Support and Fire can accrue up to 360 hours and payable upon separation or retirement. Sick leave may be accumulated indefinitely excluding Firefighters which 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 12/31/2019 is \$899,916.34

**F. Long-Term Debt**

See Note 4 - *Debt Service Requirements*.

**G. Reserved Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the legislative body. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of \$1,194,974

Fund Name	Amount Reserved	Reason for Restriction
101 - Street Fund	33,089	Local Match
120 - Investigative Fund	28,082	Restricted use, Ordinance 2009-14
130 - PD Crime Prevention	121,345	Restricted use, Ordinance 1559
140 - Public Safety Tax Fund	142,965	Restricted use, External, Ordinance 2095
160 - Toursim Expansion Fund	171,401	Restricted use per RCW
303 - Community Development	35,803	Restricted use, CDBG Funds
304 - Local Capital Improvement	33,926	Restricted use per RCW
305 - Local Capital Improvement	333,851	Restricted use per RCW
322 - Fire Equipment Reserve	41,520	Restricted use per Bond Covenant
410 - Water Fund	136,228	Debt service payments & bond reserve
420 - Sewer Fund	116,764	Debt service payments & bond reserve

**Note 2 – Budget Compliance**

The city adopts annual appropriated budgets for all funds except for 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.

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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

Fund Number	Fund Description	Final Appropriated Amounts	Actual Expenses	Variance	Explanation of Variances
001	General Fund	11,945,287	10,906,229.93	1,039,057.07	
016	General Capital Projects Fund	1,257,055	479,464.22	777,590.78	
099	Payroll Liability Fund	2,365	(109,228.14)	(106,863.14)	4th Qrt EE liabilities paid in January, 2020
101	Street Fund	1,153,782	1,103,714.03	50,067.97	
106	Street Capital Projects Fund	1,359,468	1,110,799.76	248,668.24	
115	Contingency Fund	-	-	-	
120	Investigative Fund	11,800	9,358.24	2,441.76	
130	Police Dept Crime Prevention Fund	74,650	36,649.70	38,000.30	
140	Public Safety (6&J 3/10) Tax Fund	602,529	563,400.06	39,128.94	
146	Public Safety Capital Projects Fund	-	-	-	
160	Tourism Expansion Fund	145,750	124,858.94	20,891.06	
201	General Obligation Bonds Fund	652,668	652,667.50	0.50	
303	Community Development Block Grant Fund	49,502	49,502.00	-	
304	Local Capital Improvement Fund (REET 1)	160,026	159,987.64	38.36	
305	Local Capital Improvement Fund (REET 2)	110,000	29,023.82	80,976.18	
322	Fire Equipment Reserve Fund	20,000	-	20,000.00	
326	Fire Capital Projects Fund	-	-	-	
410	Water Fund	3,386,345	2,005,328.21	1,381,016.79	
411	Water Bond Reserve Fund	-	-	-	
415	Water Revenue Bond Fund	113,250	113,248.90	1.10	
416	Water Capital Projects Fund	1,341,600	1,131,841.38	209,758.62	
420	Sewer Fund	2,859,141	2,137,854.47	721,286.53	
421	Sewer Bond Reserve Fund	-	-	-	
425	Sewer Revenue Bond Fund	113,250	113,248.90	1.10	
426	Sewer Capital Projects Fund	571,600	173,413.57	398,186.43	
430	Garbage Fund	1,323,600	1,319,087.36	4,512.64	
440	Ambulance/EMS Fund	2,125,302	1,798,306.12	326,995.88	
446	Ambulance/EMS Capital Projects Fund	42,922	42,796.38	125.62	
450	Stormwater Fund	175,765	173,293.06	2,471.94	
456	Stormwater Capital Projects Fund	-	-	-	
501	Equipment Rental Fund	310,246	305,111.50	5,134.50	
504	Information Technology Fund	272,380	272,175.56	204.44	
601	Jail Trust Fund	-	-	-	
602	Sunnyside Court Trust Fund	-	-	-	
610	State Court Fines Fund	-	-	-	
611	Fireman's Relief & Pension Fund-Eliminate	330,427	330,426.84	0.16	
621	Police Dept Honor Guard Fund	-	-	-	
699	Transporation Benefit District Fund	-	-	-	

Budgeted amounts are authorized to be transferred between within any fund or 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.

Fund 099 – Payroll Liability Fund shows a variance of (\$106,863.14) 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.

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 3 – Component Units, Joint Ventures and Related Parties.**

- A. The City of Sunnyside has entered in to the following interlocal agreements:
- a. City of Grandview for animal control services contract with the Yakima Humane Society
  - b. Yakima County Fire District, Hanford, Prosser Fire District, and the Washington State Patrol for mutual aid
  - c. City of Prosser, City of Grandview and City of Mabton for use of equipment and/or staff
  - d. Yakima County and cities of Yakima, Union Gap, and Sunnyside for stormwater permit compliance activities
  - e. Yakima County and the cities of Yakima County for Solid Waste Management
  - f. Yakima County Law Enforcement Against Drugs Narcotics & Gang Task Force
  - g. Sunnyside School District No. 201, Facility Use Agreement
  - h. Yakima County for Emergent IT Services
  - i. Department of Enterprise Services for Engineering & Architectural Services
  - j. Washington Traffic Safety Commission for Police Enforcement overtime grant funding
  - k. Port of Sunnyside for Landscaping Project
  - l. Sunnyside Valley Irrigation District for 16<sup>th</sup> Street Stormwater Improvement Project
  - m. Yakima County Fire District #5 for use of fiber optics from City Hall to the Fire Department
  - n. City of Toppenish for Municipal Court Services.
  - o. West Benton Regional Fire Authority for mutual aid services.
  - p. West Benton Regional Fire Authority for the use of emergency response personnel and equipment.
  - q. City's of Mabton and Grandview for Fire Department automatic aid agreement.
- 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 RCS 67.28.1817. The following LTAC contracts were awarded in 2019:
- a. Yakima Valley Tourism for Sunnyside tourism marketing.
  - b. Lower Valley Pathway Committee for pathway enhancement and shelter replacement.
  - c. Miss Sunnyside Committee for Sunshine Parade, Miss Sunnyside Pageant, and Sunnyside Community Float.
  - d. Sort-4-The-Cause for local event.
  - e. 509 Insanity Basketball for Summer Showdown and Hardwood Classic tournaments.
  - f. A & A Promotions for Cinco de Mayo Festival

**Note 4 – Debt Service Requirements**

**Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2019.

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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
2024-2028	6,630,728	713,204	7,343,933
2029-2033	1,440,096	126,624	1,566,720
<i>Totals</i>	<i>\$ 14,781,709</i>	<i>\$ 1,961,424</i>	<i>\$ 16,743,133</i>

**Note 5 – Deposits and Investments**

Investments are reported at original cost. Investments by type at December 31, 2019 are as follows:

Type of Investment	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	Total
Local Government Investment Pool (LGIP)	3,956,708		3,956,708
<i>Totals</i>	<i>\$ 3,956,708</i>	<i>\$ -</i>	<i>\$ 3,956,708</i>

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

**Investments in the State Local Government Investment Pool (LGIP)**

The City 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](http://www.tre.wa.gov).

**Custodial Credit Risk**

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

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

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

**Note 6 - Interfund Loans**

The following table displays interfund loan activity during 2019:

From	To	Beginning Balance	Additions	Reductions	Ending Balance
Sewer Fund	General Fund	400,000.00		80,811.85	319,188.15
Sewer Fund	Ambulance/EMS Fund	200,000.00		40,405.94	159,594.06

**Note 7 - 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 2018, the Street Fund did not meet the 20% test and was rolled in to the General Fund. For 2019, the Street Fund was returned to a stand alone fund. The Fireman’s Relief & Pension Fund (611) was eliminated in 2019 and the funds were transferred to the General 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 intrafund 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, 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. EQUIPMENT TRANSFER

The Washington State Department of Natural Resources, through the Firefighter Property Program, gave conditional ownership to the City of Sunnyside Fire Department a 2003 Stewart and StevensonM178A1 Cargo Truck. This program is not a grant but an equipment transfer program. The value of the Cargo Truck is \$24,500 as determined by the Washington State Department of Revenue.

D. PENDING AND THREATENED LITIGATION

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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.

Kerr Law group had done a substantive search of our records and spoken with City Staff. 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	Coverage	Member	Loss Date	Report Date	Total Incurred
Open	Liability	Sunnyside	04/15/2019	04/26/2019	55,000.00
Open	Liability	Sunnyside	06/26/2019	08/08/2019	2,000.00

**E. GOING CONCERN**

For the 2018 Financial Statements Audit, the Washington State Auditor’s Office (SAO) issued a finding to the City of Sunnyside due to a declining financial condition for a period of three years. The City did not ensure that funds had available cash and investments to cover expenses. As a result the City reported negative cash and investment balances on December 31, 2017, in five funds, totaling \$336,771. The City of Sunnyside has taken steps to improve financial condition by limiting spending, raising rates and monitoring financial condition. The December 31, 2019 ending balances has only the Payroll Liability Fund with a negative ending balance due to fourth quarter payroll liabilities.

**F. PUBLIC HEALTH EMERGENCY**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

On March 23, 2020, the City of Sunnyside City Council adopted a resolution ratifying the proclamation of emergency issued by Mayor and adopted finds of fact and procedures for managing the COVID-19 public health emergency. The length of time these measures will be in place, and the full extent of the financial impact on the City of Sunnyside is unknown at this time.

**G. PRIOR PERIOD CORRECTION**

The beginning balances for 2019 were corrected for the Water Fund as follows: reserve balance was changed to \$518,021 instead of \$133,879 and unreserved balance changed to \$1,119,021 instead of \$1,503,163. The beginning balances for 2019 were corrected for the Sewer Fund as follows: reserved balance was changed to \$850,250 instead of \$101,623 and unreserved balance changed to \$821,837 instead of \$1,570,464. For both funds, the total agrees, therefore, this has no effect on the ending fund balances.

**Note 8 – Other Post-Employment Benefits (OPEB) Plans**

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

During the year ended 2019, the City of Sunnyside adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of a post-employment benefit liability reported on the Schedule of Liabilities.

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, 2019, the plan had 9 members, all retirees. For the year ending December 31, 2019, the City of Sunnyside paid \$63,946.65 for insurance benefits and \$4,868.10 for long-term disability benefits for a total of \$68,814.75 in premium payments. In addition, the City paid directly to retirees for out-of-pocket medical costs of \$16,599.89.

Plan Name	Plan Administrator	Type (DBP or DCP)		# of Active Employees	# of Retired Employees	Employer Contribution	Liability
			Plan Description				
Unum Life Insurance	Unum Life Insurance	DBP	Long-term Care	0	9	4,868.10	
WA Teamsters Welfare Trust	Northwest Administrators	DBP	Medical, Dental & Vision Insurance	0	9	63,946.65	4,625,386
LEOFF 1 Retiree Out-of-pocket Medical	City of Sunnyside - HR	DCP	LEOFF 1 Reimbursements	0	9	16,599.89	

**Note 9 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all city's 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:

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](http://www.drs.wa.gov).

The city 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](http://www.ofm.wa.gov).

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

At June 30, 2019 (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1	6517.28	3,845,355,000	0.00090900%	34,954	
PERS 1 UAAL	176880.68	3,845,355,000	0.02466800%	948,572	
PERS 2/3	255047.77	971,340,000	0.03122800%	303,330	
PSERS 2	4342.03	(13,004,000)	0.013470%		(1,752)
LEOFF 1		(1,976,611,000)	0.02046800%		(404,573)
LEOFF 2	204807.48	(2,316,693,000)	0.11108400%		(2,573,475)
VFFRPF - PD	180	(52,844,000)	0.090000%		(61,634)
VFFRPF	300	(52,844,000)	0.15000000%		(102,724)
			<i>Totals</i>	\$ 1,286,857	\$ (3,144,158)

**LEOFF Plan 1**

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

**LEOFF Plan 2**

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

**B. 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 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, 2019, there were a total of three individuals covered by this system. The most recent actuarial review of the system was done by Randall & Hurley, Inc. to determine the funding requirements as of December 31, 2019. As of that date, the market value of assets was \$330,427 and the actuarial present value of future benefits was \$147,967 leaving a pension benefit obligation funding surplus of \$182,460. Therefore, it was determined that a contribution rate of \$0 per year would be sufficient to fund the plan. Since the fund has a sufficient balance to fund the plan, the funding policy was changed to \$0 per year beginning in 2019. The City's payments to covered employees or beneficiaries for the year ended December 31, 2019 were \$2,157.24.

Plan Description

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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.

**Note 10 - Property Tax**

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

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

The city's regular levy for the year 2019 was \$2.62198932 per \$1,000 on an assessed valuation of \$851,375,761 for a total regular levy of \$2,232,298.15. In 2019, the City of Sunnyside had a voter-approved excess levy of \$.51707562 per \$1,000 on excess value of \$845,959,444 for payment of General Obligation Bonds for a total additional levy of \$437,425.

**Note 11 – Risk Management**

A. The City of 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

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

160 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 \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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 \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

- B. 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

**City of Sunnyside**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2019**

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.

<b>2019 Estimated Tax Rate Calculator</b>					
<b>Step 1: Enter Benefit Charges for the time periods listed below</b>					
July 01, 2017 - June 30, 2018	July 01, 2016 - June 30, 2017	July 01, 2015 - June 30, 2016	July 01, 2014 - June 30, 2015	<b>Total Benefit Charges</b>	
\$ 53,928.34	\$ 43,165.82	\$ 15,827.30	\$ 3,735.67	\$ 116,657.13	
<b>Step 2: Enter Taxable Wages for the time periods listed below</b>					
July 01, 2017 - June 30, 2018	July 01, 2016 - June 30, 2017	July 01, 2015 - June 30, 2016	July 01, 2014 - June 30, 2015	<b>Total Taxable Wages</b>	
\$ 7,389,723.74	\$ 6,989,197.70	\$ 6,989,197.70	\$ 6,989,197.70	\$ 28,357,316.84	
<b>Benefit Ratio</b>	0.004114				
<b>Assigned Tax Rate Class</b>	5				
<b>Experience Tax Rate</b>	0.43%				
<b>Social Tax Rate</b>	0.14%				
<b>UI Tax (Experience Tax Rate + Social Tax Rate)</b>	0.57%				
<b>Employment Administrative Fund Tax</b>	0.03%				
<b>Final Tax Rate</b>	0.60%				

**City of Sunnyside  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	2017 LTGO Refunding Bond (Taxible)	12/1/2027	1,675,000	-	160,000	1,515,000
251.11	2012 (A) LTGO Bond	12/1/2031	4,500,000	-	235,000	4,265,000
263.51	US Bank #8, PD Vehicles, 2016	9/28/2019	26,168	-	26,168	-
263.51	US Bank #9, Equipment/SANS, 2017	11/25/2022	359,197	-	87,415	271,782
263.81	SIED #5, Hospital	6/1/2029	750,000	-	-	750,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>7,310,365</b>	<b>-</b>	<b>508,583</b>	<b>6,801,782</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		906,382	-	6,466	899,916
252.11	2017 Water/Sewer Revenue Refinance	12/1/2027	1,842,000	-	188,000	1,654,000
263.82	DWSRF Loan	10/1/2025	1,826,623	-	260,946	1,565,677
263.82	Ecology Loan	4/16/2027	5,394,948	-	634,700	4,760,248
264.30	Pension Liabilities Department of Retirement		1,787,788	-	500,931	1,286,857
264.40	LEOFF 1 Retiree Healthcare Obligations		-	4,611,412	-	4,611,412
263.93	Sunnyside Municipal Airport Pesticide Spray Shed		-	260,336	-	260,336
264.30	Pre-LEOFF 1 Retiree Pension		-	13,974	-	13,974
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>11,757,741</b>	<b>4,885,722</b>	<b>1,591,043</b>	<b>15,052,420</b>
<b>Total Liabilities:</b>			<b>19,068,106</b>	<b>4,885,722</b>	<b>2,099,626</b>	<b>21,854,202</b>

**City of Sunnyside**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2019**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	09-64005-067	5,284	-	5,284	-	1, 3
OFFICE ON VIOLENCE AGAINST WOMEN (OVW), JUSTICE, DEPARTMENT OF (via Yakima County Sheriff's Office)	Violence Against Women Formula Grants	16.588	F18-31103-020	3,000	-	3,000	-	1, 2
US Dept of Drug Enforcement (via Yakima County Sheriff's Office)	Domestic Cannabis Eradication/Suppression	16.U01	K15384	5,855	-	5,855	-	1, 2
FEDERAL AVIATION ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Federal Highway Administration (FHWA), Department of Transportation (via Washington State Dept of Transportation))	Airport Improvement Program	20.106	3-53-0074-007- 2015	275,744	-	275,744	-	1, 2
<b>Highway Planning and Construction Cluster</b>								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Federal Highway Administration (FHWA), Department of Transportation (via Washington State Dept of Transportation))	Highway Planning and Construction	20.205	STPLUS- 6335(002)	1,734	-	1,734	-	1, 2

The accompanying notes are an integral part of this schedule.

FEDERAL HIGHWAY ADMINISTRATION, DEPARTMENT OF Transportation, DEPARTMENT OF (via Federal Highway Administration (FHWA), Department of Transportation (via Washington State Dept of Transportation))	Highway Planning and Construction	20.205	BRM-6332(004)	686,692	-	686,692	-	1, 2
<b>Total Highway Planning and Construction Cluster:</b>				<b>688,426</b>	-	<b>688,426</b>	-	
<b>Highway Safety Cluster</b>								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF Transportation, DEPARTMENT OF (via National Highway Traffic Safety Administration (NHTSA), Dept of Trans (via Wa St Traffic Safety Commission))	State and Community Highway Safety	20.600	2019-HVE-3373	2,700	-	2,700	-	1, 2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF Transportation, DEPARTMENT OF (via National Highway Traffic Safety Administration (NHTSA), Dept of Trans (via Wa St Traffic Safety Commission))	National Priority Safety Programs	20.616	2019-HVE-3373	1,000	-	1,000	-	1, 2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF Transportation, DEPARTMENT OF (via National Highway Traffic Safety Administration (NHTSA), Dept of Trans (via Wa St Traffic Safety Commission))	National Priority Safety Programs	20.616	2019-HVE-3373	1,248	-	1,248	-	1, 2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF Transportation, DEPARTMENT OF (via National Highway Traffic Safety Administration (NHTSA), Dept of Trans (via Wa St Traffic Safety Commission))	National Priority Safety Programs	20.616	2019-HVE-3373	3,989	-	3,989	-	1, 2
<b>Total CFDA 20.616:</b>				<b>6,237</b>	-	<b>6,237</b>	-	
<b>Total Highway Safety Cluster:</b>				<b>8,937</b>	-	<b>8,937</b>	-	

EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Yakima County Sheriff's Office)	High Intensity Drug Trafficking Areas Program	95.001	G18NW006A	10,642	-	10,642	-	1,2
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044	EMW-2017-FO- 03358	-	161,730	161,730	-	1,2
<b>Total Federal Awards Expended:</b>				<b>997,888</b>	<b>161,730</b>	<b>1,159,618</b>	<b>-</b>	

**City of Sunnyside**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the City of Sunnyside financial statements. The City of Sunnyside uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

Note 2 – Program Costs

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

Note 3 – Revolving Loan – Program Income

The City of Sunnyside has a revolving loan program for low income housing renovation. Under this federal program, repayments to the City of Sunnyside are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants were distributed in 2004 or prior. The amount of principal and interest received in loan repayments for the year was \$5,284.

Note 4 – Indirect Cost Rate

The City of Sunnyside has NOT elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## ABOUT THE STATE AUDITOR'S OFFICE

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.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(564) 999-0950
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>