



Office of the Washington State Auditor
Pat McCarthy

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

For the period January 1, 2018 through December 31, 2018

Published September 16, 2019

Report No. 1024611





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

September 16, 2019

Mayor and City Council
City of Sunnyside
Sunnyside, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sunnyside's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Sunnyside January 1, 2018 through December 31, 2018

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 deficiencies that we consider to be material weaknesses.

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

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.106	Airport Improvement Program

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

See finding 2018-001.

**SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

**City of Sunnyside
January 1, 2018 through December 31, 2018**

2018-001 The City did not have adequate internal controls in place to ensure compliance with federal reporting requirements.

CFDA Number and Title:	20.106 Airport Improvement Program
Federal Grantor Name:	U.S. Department of Transportation Federal Aviation Administration
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	Washington State Department of Transportation
Pass-through Award/Contract Number:	3-53-0074-007-2015
Questioned Cost Amount:	\$0

Description of Condition

The objective of the Airport Improvement Program is to help sponsors, owners or operators of public-use airports to develop a nationwide system of airports adequate to meet the needs of civil aeronautics. During 2018, the City of Sunnyside spent \$2,408,275 in federal grant money through this program.

Federal regulations require recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring effectiveness of controls. To comply with the reporting requirements, the City must submit SF-425 Federal Financial reports to the federal Department of Transportation Federal Aviation Administration (FAA). The City is required to submit this annual report within 90 days following the end of each federal fiscal year and with each final project closeout report.

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.

We consider this control deficiency to be a material weakness. This issue was not reported as a finding in the prior audit.

Cause of Condition

City Staff relied on its contracted engineering firm to perform all of the FAA requirements. However, staff did not verify the annual report was prepared and submitted as required.

Effect of Condition

The City did not comply with the grant's financial reporting requirements to submit the annual SF-425 report within the 90-day requirement following the 2018 fiscal year end.

The FAA uses the financial report to assess program funding. Failure to report the necessary information to the grantor delays this assessment.

Recommendation

We recommend the City strengthen internal controls by monitoring program staff to ensure all reports required by the grant are prepared and submitted to the granting agency by the applicable deadlines.

City's Response

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.

Since receiving notice of this issue from the Auditor's Office in late August, 2019, the City and our contracted engineering firm have made progress in completing the 2018 SF-425 report and expect to file it with the Federal Aviation Administration (FAA) during the week of September 9, 2019.

Public Works administrative staff is creating an electronic calendar of events in which we will log pending deadlines for required filings with federal funding authorities. Our contracted engineering firm provides monthly project status reports, and effective immediately we will require that such reports include the status of all required filings with federal funding authorities.

Auditor's Remarks

We appreciate the steps the City is taking to resolve this issue and we thank the City for its cooperation during the Audit. We will review the condition during our next audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 302, Financial management, establishes requirements for financial management systems and reporting accurate current and complete financial results of Federal awards.

Title 2 CFR Part 200, Uniform Guidance, section 327, Financial reporting, establishes requirements for reporting financial information related to Federal awards.

Federal Financial Report, SF-425 (OMB Number 4040-0014) Instructions state, in part, the submission of interim FFRs will be on a quarterly, semi-annual, or annual basis, as directed by the Federal Agency. A final FFS shall be submitted at the completion of the award agreement.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Sunnyside

January 1, 2018 through December 31, 2018

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

Audit Period: January 1, 2017 through December 31, 2017	Report Ref. No.: 1022361	Finding Ref. No.: 2017-001
Finding Caption: The City’s financial position places it at risk of not meeting its financial obligations or providing services at current levels.		
Background: Over the past three years, the City has had a declining financial condition and has not established a formalized plan to improve this condition. The City continued to report a decrease in ending cash and investments for its current expense fund. In addition, 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.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <p><i>The City of Sunnyside is committed to comply with applicable laws and regulations. We appreciate the opportunity to reply and demonstrate our efforts to implement procedural changes that ensure current and future compliance.</i></p> <p><i>The City acknowledges the concerns outlined in the 2017 audit finding regarding our financial condition, specifically regarding the ability to meet our financial obligations. City Staff met with City Councilmembers on August 4, 2018, to discuss and relay the financial condition. City Staff offered alternatives for increasing revenues and decreasing expenditures. The City implemented increases to City Utility Taxes, created a Transportation Benefit District, changed the the payment of garbage billing, and increased fees for both the Stormwater and Ambulance/EMS funds in the 2019 Budget. In 2019, the City instituted quarterly budget updates with City Council to monitor progress for revenue and expenditures. City Staff reviews financial condition on a monthly basis. The 2020 budget kick off retreat on August 3, 2019 included discussion of determining an ending fund balance target for the General Fund.</i></p> <p><i>Auditor Remarks: We are assessing the City’s financial condition in the upcoming accountability audit.</i></p>		

**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, 2018 through December 31, 2018**

Mayor and City 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, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 9, 2019.

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 Washington State statutes 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.

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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 9, 2019

**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, 2018 through December 31, 2018**

Mayor and City 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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-001 to be a material weakness.

City's Response to Findings

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

September 9, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sunnyside January 1, 2018 through December 31, 2018

Mayor and City 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, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 20.

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 Washington State statutes 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 Washington State statutes 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, 2018, 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, 2018, or the changes in financial position or cash flows 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.

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 9, 2019 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

September 9, 2019

FINANCIAL SECTION

City of Sunnyside January 1, 2018 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Notes to Financial Statements – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018
Schedule of Expenditures of Federal Awards – 2018
Notes to the Schedule of Expenditures of Federal Awards – 2018

City of Sunnyside
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	001 GENERAL FUND	120 INVESTIGATIVE FUND
Beginning Cash and Investments				
30810	Reserved	1,033,191	(139,740)	34,927
30880	Unreserved	4,429,086	52,639	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	10,486,924	8,403,159	-
320	Licenses and Permits	437,058	437,058	-
330	Intergovernmental Revenues	5,235,961	5,234,739	-
340	Charges for Goods and Services	9,762,757	1,608,059	-
350	Fines and Penalties	207,434	197,380	(87)
360	Miscellaneous Revenues	207,008	56,775	10,334
Total Revenues:		<u>26,337,142</u>	<u>15,937,169</u>	<u>10,248</u>
Expenditures				
510	General Government	2,136,258	1,785,015	-
520	Public Safety	9,032,257	7,150,740	11,105
530	Utilities	4,581,933	-	-
540	Transportation	1,950,241	1,616,214	-
550	Natural and Economic Environment	429,148	277,160	-
560	Social Services	34,078	34,078	-
570	Culture and Recreation	779,911	779,911	-
Total Expenditures:		<u>18,943,826</u>	<u>11,643,118</u>	<u>11,105</u>
Excess (Deficiency) Revenues over Expenditures:		7,393,316	4,294,052	(858)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	461,665	200,000	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	78,621	28,774	-
381, 395, 398	Other Resources	601,994	401,859	-
Total Other Increases in Fund Resources:		<u>1,142,280</u>	<u>630,633</u>	<u>-</u>
Other Decreases in Fund Resources				
594-595	Capital Expenditures	6,339,023	4,191,298	-
591-593, 599	Debt Service	1,937,219	126,030	-
597	Transfers-Out	461,665	261,665	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	31,170	26,370	-
581	Other Uses	600,000	-	-
Total Other Decreases in Fund Resources:		<u>9,369,077</u>	<u>4,605,363</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		(833,481)	319,322	(858)
Ending Cash and Investments				
5081000	Reserved	2,627,674	232,220	34,070
5088000	Unreserved	2,001,121	-	-
Total Ending Cash and Investments		<u>4,628,796</u>	<u>232,220</u>	<u>34,070</u>

The accompanying notes are an integral part of this statement.

130 POLICE DEPT CRIME PREVENTION FUND	140 PUBLIC SAFETY (L&J 3/10) TAX FUND	160 TOURISM EXPANSION FUND	201 GENERAL OBLIGATION BONDS FUND	303 COMMUNITY DEVELOPMENT BLOCK GRANT FUND	304 LOCAL CAPITAL IMPROVEMENTS (REET 1) FUND
143,111	271,720	174,303	(34,155)	75,712	202,474
-	-	-	-	-	-
-	-	-	-	-	-
-	467,570	119,919	385,193	-	84,768
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,141	-	-	-	-	-
2,912	1,974	1,183	17	2,562	4,655
13,053	469,545	121,102	385,211	2,562	89,423
-	-	-	-	-	-
11,791	353,284	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	31,956	120,032	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,791	385,240	120,032	-	-	-
1,262	84,304	1,070	385,210	2,562	89,423
-	-	-	-	-	-
-	-	-	261,665	-	-
-	-	-	-	-	-
-	-	-	41,046	-	-
-	-	-	-	-	-
-	-	-	302,711	-	-
-	129,205	-	-	-	19,538
-	9,779	-	653,767	-	-
-	-	-	-	-	200,000
-	-	-	-	-	-
-	-	-	-	-	-
-	138,985	-	653,767	-	219,538
1,262	(54,681)	1,070	34,154	2,562	(130,115)
144,373	217,040	175,373	-	78,274	72,359
-	-	-	-	-	-
144,373	217,040	175,373	-	78,274	72,359

305 LOCAL CAPITAL IMPROVEMENT (REET 2) FUND	322 FIRE EQUIPMENT RESERVE FUND	410 WATER FUND	420 SEWER FUND	430 GARBAGE FUND	440 AMBULANCE/EM S FUND
235,898	48,922	92,699	52,169	-	(124,848)
-	-	2,357,793	2,056,621	(33,031)	-
-	-	-	-	-	-
83,188	-	-	-	43,916	899,211
-	-	-	-	-	-
-	-	-	-	-	1,222
-	-	2,585,554	2,906,436	1,321,346	494,263
-	-	-	-	-	-
2,615	492	44,385	26,262	60	52,619
85,803	492	2,629,938	2,932,698	1,365,321	1,447,314
-	-	-	-	-	-
-	-	-	-	-	1,505,337
-	-	1,715,044	1,456,464	1,334,435	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,715,044	1,456,464	1,334,435	1,505,337
85,803	492	914,895	1,476,234	30,887	(58,022)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	8,800	-	-	-
-	-	90	45	-	200,000
-	-	8,890	45	-	200,000
56,891	8,529	1,355,976	573,052	-	-
-	-	376,458	739,930	-	31,099
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,800	-	-	-
-	-	-	600,000	-	-
56,891	8,529	1,737,234	1,912,982	-	31,099
28,912	(8,037)	(813,449)	(436,703)	30,887	110,879
264,810	40,885	518,021	850,250	-	-
-	-	1,119,021	821,837	(2,144)	(13,970)
264,810	40,885	1,637,042	1,672,087	(2,144)	(13,970)

450 STORMWATER FUND	501 EQUIPMENT RENTAL FUND	504 INFORMATION TECHNOLOGY FUND
-	-	-
(4,937)	-	-
-	-	-
-	-	-
-	-	-
157,143	334,184	355,775
-	-	-
162	-	-
<u>157,305</u>	<u>334,184</u>	<u>355,775</u>
-	-	351,243
-	-	-
75,991	-	-
-	334,027	-
-	-	-
-	-	-
-	-	-
<u>75,991</u>	<u>334,027</u>	<u>351,243</u>
<u>81,314</u>	<u>157</u>	<u>4,532</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	4,532
-	157	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>157</u>	<u>4,532</u>
81,314	0	0
-	-	-
76,377	-	-
<u>76,377</u>	<u>-</u>	<u>-</u>

City of Sunnyside
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		Total for All Funds (Memo Only)	Investment Trust	Pension Trust	Private-Purpose Trust
308	Beginning Cash and Investments	403,971	77,515	321,963	4,494
388 & 588	Prior Period Adjustment, Net	-	-	-	-
310-390	Additions	1,187,986	1,167,400	20,585	0
510-590	Deductions	1,084,709	1,072,587	12,122	-
Net Increase (Decrease) in Cash and Investments:		103,277	94,813	8,464	-
508	Ending Cash and Investments	507,248	172,327	330,427	4,494

The accompanying notes are an integral part of this statement

Notes to the Financial Statements
For the year ended December 31, 2018

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.
- 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

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.

Notes to the Financial Statements
For the year ended December 31, 2018

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 an agent on behalf of others.

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

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 2, *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 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

Notes to the Financial Statements
For the year ended December 31, 2018

or more years. Payments are recognized as expenditures when paid. The total dollar amount for all unpaid leave as of 12/31/2018 is \$906,382.

F. Long-Term Debt

See Note 5, *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:

Fund Name	Amount Reserved	Reason for Restriction
001 - General Fund	\$ 245,180	Local Match
120 - Investigative Fund	\$ 34,070	Restricted use, Ordinance 2009-14
130 - PD Crime Prevention	\$ 144,373	Restricted use, Ordinance 1559
140 - Public Safety Tax Fund	\$ 217,040	Restricted use, External, Ordinance 2095
160 - Toursim Expansion Fund	\$ 175,373	Restricted use per RCW
303 - Community Development	\$ 78,274	Restricted use, CDBG Funds
304 - Local Capital Improvement	\$ 72,359	Restricted use per RCW
305 - Local Capital Improvement	\$ 264,810	Restricted use per RCW
322 - Fire Equipment Reserve	\$ 40,885	Restricted use per Bond Covenant
410 - Water Fund	\$ 518,021	Debt service payments & bond reserve
420 - Sewer Fund	\$ 850,250	Debt service payments & bond reserve

Note 1 – 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.

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

Notes to the Financial Statements
For the year ended December 31, 2018

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - GENERAL FUND	15,773,900.00	16,248,481.76	-474,581.76
120 - INVESTIGATIVE FUND	13,800.00	11,104.57	2,695.43
130 - POLICE DEPT CRIME PREVENTION FUND	18,332.00	11,791.05	6,540.95
140 - PUBLIC SAFETY (L&J 3/10) TAX FUND	550,000.00	524,224.47	25,775.53
160 - TOURISM EXPANSION FUND	157,200.00	120,032.00	37,168.00
201 - GENERAL OBLIGATION BONDS FUND	660,935.00	653,766.70	7,168.30
304 - LOCAL CAPITAL IMPROVEMENTS (REET 1) FUND	240,000.00	219,538.36	20,461.64
305 - LOCAL CAPITAL IMPROVEMENT (REET 2) FUND	110,000.00	56,891.33	53,108.67
322 - FIRE EQUIPMENT RESERVE FUND	20,000.00	8,529.41	11,470.59
410 - WATER FUND	4,269,590.00	3,452,277.63	817,312.37
420 - SEWER FUND	4,416,645.00	3,369,445.63	1,047,199.37
430 - GARBAGE FUND	1,420,000.00	1,334,434.52	85,565.48
440 - AMBULANCE/EMS FUND	1,454,252.00	1,536,436.08	-82,184.08
450 - STORMWATER FUND	111,230.00	75,990.93	35,239.07
501 - EQUIPMENT RENTAL FUND	287,416.00	334,184.00	-46,768.00
504 - INFORMATION TECHNOLOGY FUND	243,146.00	355,774.57	-112,628.57
601 - JAIL TRUST FUND	111,700.00	138,821.21	-27,121.21
602 - SUNNYSIDE COURT TRUST FUND	825,800.00	933,765.79	-107,965.79
611 - FIREMAN'S RELIEF & PENSION FUND	15,700.00	12,121.74	3,578.26

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 001 – General Fund shows a variance of (474,581.76). This year the Street Fund was rolled to the General Fund for the annual financial report. The aggregate overages are as follows:

001 – General Fund (354,529.46) additional costs for prosecutor, indigent defense, law enforcement, jail services, and parks maintenance.

101 – Street Fund (147,155.65) additional costs for TIB grant expenditures.

Fund 440 – Ambulance/EMS Fund shows a variance of (82,184.08) which is due to cashing out benefits for employees terminating employment and hiring new employees and volunteers.

Note 2 – Deposits and Investments

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

All deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission). All investments are insured, registered or held by the city or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2018 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)	4,365,809		4,365,809
<i>Totals</i>	\$ 4,365,809	\$ -	\$ 4,365,809

Notes to the Financial Statements
For the year ended December 31, 2018

Note 3 - Property Taxes

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. 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 2018 was \$2.80486059 per \$1,000 on an assessed valuation of \$773,014,448 for a total regular levy of \$2,168,197.76. In 2018, the City of Sunnyside had a voter-approved excess levy of \$0.56429806 per \$1,000 on excess value of \$768,078,134 for payment of General Obligation Bonds for a total additional levy of \$433,425.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2018:

From	To	Beginning Balance	Additions	Reductions	Ending Balance
Sewer Fund	General Fund	400,000			400,000
Sewer Fund	Ambulance/EMS Fund	200,000			200,000

Note 5 – 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, 2018.

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

Year	Principal	Interest	Total Debt Service
2019	1,591,295	315,471	1,906,766
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>\$ 16,373,003</i>	<i>\$ 2,276,896</i>	<i>\$ 18,649,899</i>

Notes to the Financial Statements
For the year ended December 31, 2018

General Obligation Debt

2012 UTGO Bonds

In 2012, the City of Sunnyside voters approved the issuance of \$5.3 million in general obligation 20 year bonds to enhance fire and medical aid response including renovating the fire station and financing or refinancing the purchase of adjacent land and equipment.

2017 LTGO Refunding Bonds (Taxable)

In order to reduce interest costs, the 2007 LTGO Bonds were refinanced with a private placement taxable bonds. In 2007, the City of Sunnyside issued \$2,760,000 in Limited Tax General Obligation (LTGO) Bonds for the purpose of providing financing for the cost of land acquisition. These bonds were issued by a vote of the City Council for the purpose of financing the Monson Ranches Feedlot land purchase; since renamed West Sunnyside Business Park.

Lease Purchase Agreements

In 2015, the City of Sunnyside entered into two lease-purchase agreements with US Bank for the purpose of equipment replacement. These agreements allowed for the purchase of two vehicles for the police department and a city-wide phone switch upgrade. These two lease-purchase agreements were paid in full in 2018.

In 2016, the City of Sunnyside entered into a lease-purchase agreement with US Bank for the purpose of purchasing two vehicles for the police department.

In 2017, the City of Sunnyside entered into a lease-purchase agreement with US Bank for the purpose of purchasing two police vehicles, one fire command vehicle, portable radios for the police department, one jail transport van, computer network upgrades and zoll heart monitors for ambulances.

Supporting Investments in Economic Development (SIED)

In 2012, the City of Sunnyside secured a \$25,000 Supporting Investment in Economic Development loan from Yakima County to augment an FAA grant to install an Air Weather Observation System (AWOS) III system for the airport. This loan was paid in full in 2018.

In 2017, the City of Sunnyside secured a \$750,000 Supporting Investment in Economic Development loan from Yakima County to augment a CERB Loan to fund extension of City domestic water and sanitary sewer extension as part of a larger project for construction of a replacement for the current Sunnyside Community Hospital.

Revenue Debt

2017 Water/Sewer Revenue Bonds

In order to reduce interest costs, the 2007 Water/Sewer Revenue Bonds were refinanced with private placements bonds. In 2007, the City of Sunnyside issued \$2,285,000 in Water/Sewer Revenue Bonds for the purpose of financing capital improvements to the water and sewer systems.

State Revolving Fund Loans

In 2004, the City of Sunnyside secured a \$4,040,000 State Revolving Fund loan from the State of Washington to finance the Water Source Development Project. As of December 31, 2016, the City of Sunnyside has drawn a total of \$3,940,635 on this loan.

In 2006, the City of Sunnyside secured a \$12,376,640 State Revolving Fund loan from the State of

Notes to the Financial Statements
For the year ended December 31, 2018

Washington to finance the 2005-2007 Wastewater Treatment Plant rehabilitation.

Note 6 – 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, 2018, the plan had 9 members, all retirees. For the year ending December 31, 2018, the City of Sunnyside paid \$75,087.00 for insurance benefits and \$8,294.40 for long-term disability benefits for a total of \$83,381.40 in premium payments. In addition, the City paid directly to retirees for out-of-pocket medical costs of \$19,369.74.

Note 7 – 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 (list only applicable 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.

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.

At June 30, 2018 (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:

Notes to the Financial Statements
For the year ended December 31, 2018

Plan Type	Employer Contributions	Plan Liability / Asset	Allocation Percentage	NPL	NPA
PERS 1	6,518.37	4,466,034,000	0.000975%	43,552	
PERS 1 UAAL	176,068.79	4,466,034,000	0.026341%	1,176,394	
PERS 2/3	256,530.04	1,707,411,000	0.033246%	567,645	
PSERS 2	4,202.17	1,239,000	0.015912%	197	
LEOFF 1		(1,815,502,000)	0.020416%		(370,653)
LEOFF 2	198,347.52	(2,030,218,000)	0.114381%		(2,322,184)
VFFRPF - Police	60	(52,844,000.00)	0.030000%		(15,474)
VFFRPF - Fire	330	(52,844,000.00)	0.16%		(85,107)
<i>Totals</i>				\$ 1,787,788	\$ (2,793,419)

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 is shown as a trust fund in the financial statements of the City (Fund 611). As of December 31, 2018, 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, 2018. 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. The City of Sunnyside has maintained the funding policy of contributing 100% of the City of Sunnyside's share of the State tax on fire insurance premiums to the Firemen's Relief and Pension Fund. In 2018, this contribution totaled \$15,959.51. 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, 2018 were \$12,121.74.

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

Notes to the Financial Statements
For the year ended December 31, 2018

who were active on that date.

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

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

Funding Policy

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

Note 8 – 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 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.

Notes to the Financial Statements
For the year ended December 31, 2018

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. As referenced in Schedule 21, the City of Sunnyside is a reimbursable employer for Unemployment Compensation. This means all claims are reimbursed to Employment Security Department on a dollar for dollar basis.

Note 9 - Other Disclosures

A. COMBINED FUNDS

The Payroll Liability Fund (099), the Street Fund (101) 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 20% test was applied to the Street Fund and it came in at 14%. Since the General Fund contributed \$795,000 to the Street Fund, it was necessary to roll the fund. 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.

B. LEGAL COMPLIANCE DISCLOSURES

The 2018 Financial Statements show funds 430 Garbage Fund and 440 Ambulance/EM show a negative ending balance. While a negative ending balance is not positive for the City of Sunnyside, it is a great reduction for funds identified in 2017 (5 funds were negative). The City has taken steps to ensure all funds are operating within their capacity and raising rates if necessary.

C. INTERLOCAL AGREEMENTS

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. City's of Granger, Zillah, Toppenish, Walla Walla, Mt. Lake Terrace, Grandview, Granger, Fife, Lynnwood, Yakima, Zillah, Othello, Mabton, Orting and Briar; County of Kittitas; US Department of Justice; State of Washington Department of Corrections for housing prisoners
- c. Yakima County Fire District, Hanford, Prosser Fire District, and the Washington State Patrol for mutual aid

Notes to the Financial Statements
For the year ended December 31, 2018

- d. City of Prosser, City of Grandview and City of Mabton for use of equipment and/or staff
- e. Yakima County and cities of Yakima, Union Gap, and Sunnyside for stormwater permit compliance activities
- f. Yakima County and the cities of Yakima County for Solid Waste Management
- g. Yakima County Law Enforcement Against Drugs Narcotics & Gang Task Force
- h. Sunnyside School District No. 201, Facility Use Agreement
- i. Yakima County for Emergent IT Services
- j. Department of Enterprise Services for Engineering & Architectural Services
- k. Washington Traffic Safety Commission for Police Enforcement overtime grant funding
- l. Port of Sunnyside for Landscaping Project
- m. Sunnyside Valley Irrigation District for 16th Street Stormwater Improvement Project
- n. Yakima County Fire District #5 for use of fiber optics from City Hall to the Fire Department
- o. City of Toppenish for Municipal Court Services.
- p. West Benton Regional Fire Authority for mutual aid services.
- q. West Benton Regional Fire Authority for the use of emergency response personnel and equipment.

D. 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.

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	06/04/2018	06/19/2018	85,000.00
Open	Liability	Sunnyside	06/14/2018	06/19/2018	15,000.00
Open	Liability	Sunnyside	07/19/2018	07/30/2018	10,000.00
Open	Liability	Sunnyside	06/28/2018	08/08/2018	100,000.00
Open	Liability	Sunnyside	04/12/2018	09/05/2018	45,000.00
Open	Liability	Sunnyside	04/15/2019	04/26/2019	20,000.00

E. GOING CONCERN

For the 2017 Financial Statements Audit, the Washington State Auditor’s Office (SAO) issued a finding to the City of Sunnyside due to a declining financial condition. 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, 2018 ending balance has only two funds with negative ending balances that totals \$16,114.

**City of Sunnyside
Schedule of Liabilities
For the Year Ended December 31, 2018**

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	1,835,000	-	160,000	1,675,000
251.11	2012 (A) LTGO Bond	12/1/2031	4,720,000	-	220,000	4,500,000
263.51	US BANK #6, Switches	4/21/2018	5,779	-	5,779	-
263.51	US Bank #7, PD Vehicles, 2015	10/5/2018	28,147	-	28,147	-
263.51	US Bank #8, PD Vehicles, 2016	9/28/2019	58,150	-	31,982	26,168
263.51	US Bank #9, Equipment/SANS, 2017	11/25/2022	443,821	-	84,624	359,197
263.81	SIED #4, Airport	6/1/2018	5,359	-	5,359	-
263.81	SIED #5, Hospital	6/1/2029	750,000	-	-	750,000
Total General Obligation Debt/Liabilities:			7,846,256	-	535,891	7,310,365
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		840,088	66,294	-	906,382
252.11	2017 Water/Sewer Revenue Refinance	12/1/2027	2,026,000	-	184,000	1,842,000
263.82	DWSRF Loan	10/1/2025	2,087,569	-	260,946	1,826,623
263.82	Ecology Loan	4/16/2027	6,029,647	-	634,699	5,394,948
264.30	Pension Liabilities-Dpt of Retirement		2,385,836	-	598,048	1,787,788
Total Revenue and Other (non G.O.) Debt/Liabilities:			13,369,140	66,294	1,677,693	11,757,741
Total Liabilities:			21,215,396	66,294	2,213,584	19,068,106

**City of Sunnyside
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards				
FARM SERVICE AGENCY, AGRICULTURE, DEPARTMENT OF (via Federal Highway Administration (FHWA), Department of Transportation (via Washington State Dept of Transportation))	Emergency Conservation Program	10.054	STPUS- 6335(002)	9,150	-	-	9,150	-	1, 2
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Office of Community Planning and Development, Department of Housing and Urban Development (via Washington State Department of Social & Health Services))	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	09-64005-067	2,400	-	-	2,400	-	1, 3
US Dept of Drug Enforcement (via Yakima County Sheriff's Office)	Domestic Cannabis Eradication/Suppression	16.U01	K14033	6,683	-	-	6,683	-	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	2,408,275	-	-	2,408,275	-	1, 2
Highway Planning and Construction Cluster									
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	TAP-6332(003)	264,300	-	-	264,300	-	1, 2

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	BRM-6332(004)	128,328	-	128,328	-	1, 2
Total Highway Planning and Construction Cluster:				392,628	-	392,628	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via National Highway Traffic Safety Administration (NHTSA), Department of Transportation (via WA Assoc of Sheriffs and Police))	State and Community Highway Safety	20.600	2018 Grant	1,616	-	1,616	-	1, 2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, 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	2018-HVE-2454	2,000	-	2,000	-	1, 2
Total CFDA 20.600:				3,616	-	3,616	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, 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	2018-HVE-2454	554	-	554	-	1, 2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, 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	2018-HVE-2454	2,839	-	2,839	-	1, 2
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, 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	2018-HVE-2454	2,839	-	2,839	-	1, 2
Total CFDA 20.616:				6,232	-	6,232	-	

	9,848	-	9,848	-
Total Highway Safety Cluster:				
EXECUTIVE OFFICE OF THE PRESIDENT, EXECUTIVE OFFICE OF THE PRESIDENT (via Executive Office of the President (via Yakima County Sheriff's Office))	95.001	-	7,202	-
High Intensity Drug Trafficking Areas Program	G18NW006A	-	7,202	1,2
			2,836,186	2,836,186
Total Federal Awards Expended:				

The accompanying notes are an integral part of this schedule

City of Sunnyside

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

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 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 \$2,400.

Note 4 – Indirect Cost Rate

The City of Sunnyside has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



Office of the City Manager
 818 East Edison Avenue
 Sunnyside, Washington 98944
 (509) 837-6300 Office

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
 UNIFORM GUIDANCE**

**City of Sunnyside
 January 1, 2018 through December 31, 2018**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2018-001	Finding caption: The City did not have adequate internal controls in place to ensure compliance with federal reporting requirements.
Name, address, and telephone of City’s contact person: Elizabeth Alba, Finance Director 818 E. Edison Avenue Sunnyside, WA 98944 (509) 836-6392	
Corrective action the auditee plans to take in response to the finding: <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 have made progress in completing the 2018 SF-425 report and expect to file it with the Federal Aviation Administration (FAA) during the week of September 9, 2019.</i> <i>Public Works administrative staff is creating an electronic calendar of events in which we will log pending deadlines for required filings with funding and regulatory authorities. Our contracted engineering firm provides monthly project status reports, and effective immediately we will require that such reports include the status of all required filings with funding and regulatory authorities.</i>	
Anticipated date to complete the corrective action: October 1, 2019.	

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov