



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Sunnyside

Yakima County

For the period January 1, 2016 through December 31, 2016

Published May 21, 2018

Report No. 1021365





Office of the Washington State Auditor

Pat McCarthy

May 21, 2018

Council
City of Sunnyside
Sunnyside, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT 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
Yakima County
January 1, 2016 through December 31, 2016**

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, Yakima County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated May 14, 2018.

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 opinion 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

May 14, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sunnyside Yakima County January 1, 2016 through December 31, 2016

Council
City of Sunnyside
Sunnyside, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sunnyside, Yakima County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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 financial position and results of operations of the City of Sunnyside, for the year ended December 31, 2016, 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, 2016, 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 performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018 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

May 14, 2018

FINANCIAL SECTION

**City of Sunnyside
Yakima County
January 1, 2016 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016

City of Sunnyside
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 GENERAL FUND	101 STREET FUND
Beginning Cash and Investments				
30810	Reserved	3,632,469	464,484	14,821
30880	Unreserved	3,424,129	198,599	-
388 / 588	Prior Period Adjustments, Net	(192,988)	(22,518)	(28,923)
Revenues				
310	Taxes	9,921,802	7,919,425	-
320	Licenses and Permits	333,371	332,478	892
330	Intergovernmental Revenues	2,253,908	786,709	714,869
340	Charges for Goods and Services	9,170,712	1,834,031	-
350	Fines and Penalties	289,950	269,858	-
360	Miscellaneous Revenues	129,552	44,653	5,369
Total Revenues:		22,099,294	11,187,156	721,130
Expenditures				
510	General Government	1,937,251	1,857,629	-
520	Public Safety	8,725,330	7,096,342	-
530	Utilities	4,074,778	-	-
540	Transportation	1,764,026	380,170	1,089,657
550	Natural and Economic Environment	429,749	264,308	-
560	Social Services	29,472	29,472	-
570	Culture and Recreation	726,316	726,316	-
Total Expenditures:		17,686,920	10,354,236	1,089,657
Excess (Deficiency) Revenues over Expenditures:		4,412,372	832,917	(368,527)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	8,679	-	-
397	Transfers-In	1,287,205	-	767,914
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	22,100	7,277	6,573
381, 395, 398	Other Resources	44,577	27,227	17,351
Total Other Increases in Fund Resources:		1,362,561	34,503	791,838
Other Decreases in Fund Resources				
594-595	Capital Expenditures	2,043,922	194,410	424,908
591-593, 599	Debt Service	1,997,908	65,551	-
597	Transfers-Out	1,287,205	927,707	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	(12,370)	(35,770)	12,200
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		5,316,664	1,151,898	437,108
Increase (Decrease) in Cash and Investments:		458,268	(284,477)	(13,797)
Ending Cash and Investments				
5081000	Reserved	3,002,510	394,456	(27,899)
5088000	Unreserved	4,319,370	(38,366)	-
Total Ending Cash and Investments		7,321,881	356,090	(27,899)

The accompanying notes are an integral part of this statement.

120 INVESTIGATIVE FUND	CRIME PREVENTION FUND	140 PUBLIC SAFETY TAX FUND	160 TOURISM EXPANSION FUND	201 GENERAL OBLIGATION BONDS FUND	DEVELOPMENT BLOCK GRANT FUND
52,351	134,949	112,544	169,566	1,452	63,243
-	-	-	-	-	-
-	-	(16,447)	-	-	-
-	-	423,425	121,492	428,425	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
208	19,885	-	-	-	-
707	3,029	464	4,864	-	70
915	22,914	423,889	126,356	428,425	70
-	-	-	-	-	-
38	11,701	273,430	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	37,128	128,313	-	-
-	-	-	-	-	-
-	-	-	-	-	-
38	11,701	310,558	128,313	-	-
877	11,213	113,331	(1,957)	428,425	70
-	-	-	-	-	8,679
-	-	-	-	231,293	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	231,293	8,679
-	-	-	-	-	-
-	-	-	-	661,170	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	661,170	-
877	11,213	113,331	(1,957)	(1,452)	8,749
-	-	7,461	167,609	-	71,992
53,227	146,162	201,967	-	-	-
53,227	146,162	209,428	167,609	-	71,992

CAPITAL IMPROVEMENTS (REET 1) FUND	CAPITAL IMPROVEMENT (REET 2) FUND	322 FIRE EQUIPMENT RESERVE FUND	323 2011 FIRE STATION PROJECT FUND	410 WATER FUND	420 SEWER FUND
311,076	180,225	29,301	196,865	636,487	1,108,279
-	-	-	-	1,609,906	1,533,608
-	-	-	-	(34,248)	(31,099)
76,666	76,251	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	151,007
-	-	-	-	2,417,063	2,840,708
-	-	-	-	-	-
1,161	557	141	283	11,347	5,746
77,827	76,808	141	283	2,428,411	2,997,461
-	-	-	-	-	-
-	-	9,352	-	-	-
-	-	-	-	1,576,430	1,262,559
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	9,352	-	1,576,430	1,262,559
77,827	76,808	(9,211)	283	851,980	1,734,902
-	-	-	-	-	-
-	-	28,573	-	-	234,425
-	-	-	-	-	-
-	-	-	-	8,250	-
-	-	-	-	-	-
-	-	28,573	-	8,250	234,425
14,350	25,378	-	168,575	186,487	130,714
-	-	-	-	273,993	997,193
71,500	-	-	28,573	234,425	25,000
-	-	-	-	-	-
-	-	-	-	11,200	-
-	-	-	-	-	-
85,850	25,378	-	197,148	706,105	1,152,907
(8,023)	51,430	19,362	(196,865)	154,125	816,420
303,053	231,655	48,663	-	979,832	878,229
-	-	-	-	1,386,438	2,548,979
303,053	231,655	48,663	-	2,366,270	3,427,208

430 GARBAGE FUND	440 AMBULANCE/EM S FUND	450 STORMWATER FUND	501 EQUIPMENT RENTAL FUND	INFORMATION TECHNOLOGY FUND
-	156,827	-	-	-
(62,182)	-	144,198	-	-
(794)	(52,718)	(6,241)	-	-
-	876,117	-	-	-
-	-	-	-	-
-	1,290	600,032	-	-
1,164,860	389,501	150,728	294,199	79,622
-	-	-	-	-
-	50,696	464	-	-
1,164,860	1,317,605	751,224	294,199	79,622
-	-	-	-	79,622
-	1,334,467	-	-	-
1,079,331	-	156,458	-	-
-	-	-	294,199	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,079,331	1,334,467	156,458	294,199	79,622
85,529	(16,863)	594,766	0	0
-	-	-	-	-
-	-	25,000	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	139,787	759,314	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	139,787	759,314	-	-
85,529	(156,650)	(139,548)	0	0
-	(52,540)	-	-	-
22,553	-	(1,591)	-	-
22,553	(52,540)	(1,591)	-	-

City of Sunnyside
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	601 JAIL TRUST FUND	602 COURT FUND TRUST ACCOUNT	611 FIREMAN'S RELIEF & PENSION FUND
308	Beginning Cash and Investments	397,956	44,573	50,112	298,779
388 & 588	Prior Period Adjustments, Net	61,161	-	61,161	-
310-360	Revenues	16,172	-	-	16,172
380-390	Other Increases and Financing Sources	1,080,683	123,805	956,877	-
510-570	Expenditures	1,970	-	-	1,970
580-590	Other Decreases and Financing Uses	1,112,035	126,070	985,965	-
Net Increase (Decrease) in Cash and Investments:		(17,150)	(2,265)	(29,088)	14,202
508	Ending Cash and Investments	441,967	42,308	82,185	312,980

		621 POLICE DEPT HONOR GUARD FUND
308	Beginning Cash and Investments	4,494
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	-
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	-
Net Increase (Decrease) in Cash and Investments:		-
508	Ending Cash and Investments	4,494

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the year ended December 31, 2016

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. 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.

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.

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 up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

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 follows:

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - GENERAL FUND	12,079,434	11,528,652	550,782
101 - STREET FUND	1,459,107	1,555,688	(96,581)
120 - INVESTIGATIVE FUND	6,000	38	5,962
130 - POLICE DEPT CRIME PREVENTION FUND	21,100	11,701	9,399
140 - PUBLIC SAFETY TAX FUND	371,145	327,004	44,141
160 - TOURISM EXPANSION FUND	150,000	128,313	21,687
201 - GENERAL OBLIGATION BONDS FUND	656,108	661,170	(5,062)
304 - LOCAL CAPITAL IMPROVEMENTS (REET 1) FUND	87,500	85,850	1,650

305 - LOCAL CAPITAL IMPROVEMENT (REET 2) FUND	90,000	25,378	64,622
322 - FIRE EQUIPMENT RESERVE FUND	10,000	9,352	648
323 - 2011 FIRE STATION PROJECT FUND	71,164	197,148	(125,984)
410 - WATER FUND	2,358,259	2,316,783	41,476
420 - SEWER FUND	4,580,128	2,446,565	2,133,563
430 - GARBAGE FUND	1,130,500	1,080,125	50,375
440 - AMBULANCE/EMS FUND	1,539,854	1,526,972	12,882
450 - STORMWATER FUND	877,043	922,013	(44,970)
501 - EQUIPMENT RENTAL FUND	348,823	294,199	54,624
504 - INFORMATION TECHNOLOGY FUND	100,000	79,622	20,378
601 - JAIL TRUST FUND		126,070	(126,070)
602 - COURT FUND TRUST ACCOUNT	280,000	985,965	(705,964)
611 - FIREMAN'S RELIEF & PENSION FUND	5,000	1,970	3,030

Budgeted amounts are authorized to be transferred between departments 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.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

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

F. 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.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

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 168 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, 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, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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.

I. 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 debt service payments for 2017, restrictions due to outside restrictions and matching requirements due to grant awards for 2017.

Fund Name	Amount Reserved	Reason for Restriction
001 - General Fund	\$394,315	Debt Service Payments for 2017
101 - Street Fund	(\$27,899)	Local Match
140 - Public Safety Tax Fund	\$7,461	Debt Service Payments for 2017
160 - Tourism Expansion Fund	\$167,609	Restricted Use Per RCW
303 - Community Development	\$71,992	Restricted Use - CDBG Funds
304 - Local Capital Improvement	\$303,053	Restricted Use Per RCW
305 - Local Capital Improvement	\$231,655	Restricted Use Per RCW
322 - Fire Equipment Reserve	\$48,663	Restricted Use per Bond Covenant
410 - Water Fund	\$979,832	Debt Service Payments & Bond Reserve for 2017
420 - Sewer Fund	\$878,229	Debt Service Payments & Bond Reserve for 2017
440 - Ambulance/EMS Fund	(\$52,540)	Debt Service for the Fire Station

Note 2 - Property Tax

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

Property tax revenues are recognized when cash is received by the 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 2016 was \$3.02532335 per \$1,000 on an assessed valuation of \$694,945,313 for a total regular levy of \$2,102,434.28. In 2016, the City of Sunnyside had a voter-approved excess levy of \$0.61996167 per \$1,000 on excess value of \$691,050,791 for payment of General Obligation Bonds for a total additional levy of \$428,425.

Note 3 – 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, 2016 are as follows:

<u>Type of Investment</u>	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	<u>Total</u>
Local Government Investment Pool (LGIP)	4,242,506	0	4,242,506
<i>Total</i>	\$ 4,242,506		\$ 4,242,506

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 debt transactions for year ended December 31, 2016.

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

Principal & Interest Schedule by Year				
Year	Principal	Interest	Total	
2017	1,249,011.60	462,780.75	1,711,792.35	
2018	1,154,590.23	431,639.59	1,586,229.82	
2019	1,148,887.05	404,313.66	1,553,200.71	
2020	1,148,295.86	375,839.64	1,524,135.50	
2021	1,183,295.86	346,194.92	1,529,490.78	
2022-2026	6,260,533.14	1,234,663.59	7,495,196.73	
2027-2031	3,282,349.74	309,822.00	3,592,171.74	
Total	15,426,963.48	3,565,254.15	18,992,217.63	

General Obligation Debt

2007 LTGO Bonds

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

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.

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.

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.

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. The City will pay principal and interest on this loan over a five year term.

Revenue Debt

2007 Water/Sewer Revenue Bonds

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

2005 Water/Sewer Refunding Bonds

In 2005, the City of Sunnyside issued \$3,640,000 in Water/Sewer Revenue Refunding Bonds for the purpose

of substantial debt service savings. These bonds refunded Water/Sewer Revenue Bonds issued in 1993 and 1996.

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

Note 5 - Interfund Loans

An Interfund Loan was established by Ordinance 2016-21 from the Sewer Fund (420) to the Stormwater Fund (450) in the amount of \$686,735 for the 16th Street Stormwater Project. This Interfund loan did not actually take place as grant reimbursement occurred during December, 2016 for the 16th Street Stormwater Project making the Stormwater Fund whole before the year ended.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the 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, 2016 (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	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1	5,370,471,000	0.002144%	\$ 115,142.90	
PERS 1 UAAL	5,370,471,000	0.024905%	\$ 1,337,515.80	
PERS 2/3	5,034,921,000	0.031159%	\$ 1,568,831.03	
PSERS 2/3	42,498,000	0.020680%	\$ 8,788.59	
LEOFF 1	(1,030,286,000)	0.022564%		\$ (232,473.73)
LEOFF 2	(581,630,000)	0.120178%		\$ (698,991.30)
VFFRPF				\$ (36,374.20)
		<i>Total</i>	\$ 3,030,278	\$ (967,839)

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, 2016, there were a total of three individuals covered by this system of which none were currently employed and one survivor was drawing benefits.

The most recent actuarial review of the system was done by Randall & Hurley, Inc. to determine the funding requirements as of December 31, 2005. As of that date, the market value of assets was \$336,053 and the actuarial present value of future benefits was \$356,956 leaving an unfunded pension benefit obligation of \$20,903. However, it was determined that a contribution rate of \$9,500 per year 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 2016, this contribution totaled \$15,313.84. The City's payments to covered employees or beneficiaries for the year ended December 31, 2016 were \$1,970.47.

Plan Description

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

When the Law Enforcement Officers' and Firefighters (LEOFF) pension system was initiated, the State of Washington assumed the major portion of the obligation to provide future retirement benefits

for members still in active service at the LEOFF inception date (March 1, 1970). The City of Sunnyside retains the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In addition, the City of Sunnyside retains the responsibility for a portion of the benefits payable to members who were active on that date.

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

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

Funding Policy

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

Note 7 - Other Disclosures

A. COMBINED FUNDS

The Payroll Liability Fund (099) and the Contingency Fund (115) are rolled in to the 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 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.

For revenue bond reserves and redemption, and revenue bond-funded capital projects, the City of Sunnyside established the Water/Sewer Revenue Bond and the Water/Sewer Capital Projects Funds (415 and 416, respectively). The bond-funded capital project is multi-year project that began in 2008 and continued into 2012. Until the project is completed, the bond debt proportions allocable to the Water and Sewer Funds are unknown, which is the reason the two bond funds were established. However, when reporting such proprietary activities, all of those functions must be contained in one fund. In this case, Water/Sewer Revenue Bond and Water/Sewer Capital Projects Funds' financial activities have been combined with the Sewer Fund for the 2016 Annual Report because the majority of the activities are sewer-related. All transfers amongst these three funds have been eliminated for reporting purposes. When the capital project has been completed, the two bond funds will be dissolved, and all bond reserves and redemption activities will be allocated proportionately to the Water and Sewer Funds.

B. PRIOR YEAR CORRECTION

The 2016 Financial Statements shows a prior year correction in the amount of \$192,987.76 for

the payroll liability fund (099). During 2013, 2014 and 2015, payroll was imported from Eden software program to BIAS. Due to the differences in BAR set up and reporting, Eden software improperly reported payroll liabilities to various funds. For the 2016 Financial Statements, payroll and payroll liabilities were analyzed and properly recorded to the proper department or fund. Since the cost to compare the prior year transactions was extensive, the proportionate payroll liability was split to the various funds using the 2016 benefit information. The table below summarizes the distribution:

Prior Period Adjustment to Payroll Liability			
\$192,987.76			
Fund	Total Benefits	Percentage	Charge
001	2,074,252.62	69.72%	\$22,517.61
101	152,869.92	5.14%	\$28,922.73
140	86,927.78	2.92%	\$16,446.59
410	181,018.90	6.08%	\$34,248.47
420	164,371.71	5.52%	\$31,098.85
430	4,198.55	0.14%	\$794.60
440	278,640.06	9.37%	\$52,718.22
450	32,986.20	1.11%	\$6,240.93
501			Spread per ERR %
611			Take out - pension
	2,975,265.74		
Pension	1970.47		
Total	2,977,236.21		

C. LEGAL COMPLIANCE DISCLOSURES

The 2016 Financial Statements show funds 101 Street, 440 Ambulance/EMS and 450 Stormwater with a negative ending fund balance. Due to the import schedule for payroll and prior period adjustments, the balances of these funds were identified as negative after the end of the fiscal year and were not eligible for a correcting entry.

D. INTERLOCAL AGREEMENTS

The City of Sunnyside has entered in to the following interlocal agreements:

- City of Grandview for animal control services contract with the Yakima Humane Society
- City's of 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
- Yakima County Fire District, Hanford, Prosser Fire District, and the Washington State Patrol for mutual aid
- City of Prosser, City of Grandview and City of Mabton for use of equipment and/or staff
- Yakima County and cities of Yakima, Union Gap, and Sunnyside for stormwater permit compliance activities
- Yakima County and the cities of Yakima County for Solid Waste Management
- Yakima County Law Enforcement Against Drugs Narcotics & Gang Task Force
- Sunnyside School District No. 201, Facility Use Agreement
- 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

E. PENDING AND THREATENED LITIGATION

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

Currently the City of Sunnyside has an alleged complaint for a civil right violation and/or claim for negligence in Cisneros vs. City of Sunnyside et al filed with the United States District Court – Eastern District of Washington cause No. 16-3009. This matter has been referred to Washington Cities Insurance Authority to which they have appointed Menke Jackson Beyer to defend the City.

The City believes based on the information presently known, that any ultimate liability for such actions will not be material to the financial position of the City.

**City of Sunnyside
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2007 LTGO Bonds	12/1/2027	2,085,000	-	130,000	1,955,000
263.51	US Bank #6, Switches	4/21/2018	39,521	-	16,673	22,848
263.51	US Bank #7, PD Vehicles, 2015	10/5/2018	93,494	-	32,290	61,204
263.51	US Bank #8, PD Vehicles, 2016	9/28/2019	-	98,158	7,902	90,256
263.81	SIED #4, Airport	6/1/2018	15,694	-	5,105	10,589
251.11	2012 (A) LTGO Bonds	12/1/2031	5,120,000	-	195,000	4,925,000
Total General Obligation Debt/Liabilities:			7,353,709	98,158	386,970	7,064,897
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		856,834	135,775	-	992,609
252.11	2005 Water/Sewer Revenue Refinance	8/1/2017	460,000	-	225,000	235,000
252.11	2007 Water/Sewer Revenue	12/1/2027	2,285,000	-	-	2,285,000
263.82	DWSRF Loan	10/1/2025	2,609,461	-	260,946	2,348,515
263.82	Ecology Loan	4/16/2027	7,299,045	-	634,699	6,664,346
264.30	Pension Liabilities - Dpt of Retirement		2,482,294	547,984	-	3,030,278
Total Revenue and Other (non G.O.) Debt/Liabilities:			15,992,634	683,759	1,120,645	15,555,748
Total Liabilities:			23,346,343	781,917	1,507,615	22,620,645

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