



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Sunnyside

Yakima County

For the period January 1, 2014 through December 31, 2014

Published September 30, 2015

Report No. 1015309





Washington State Auditor's Office

September 30, 2015

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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

**City of Sunnyside
Yakima County
January 1, 2014 through December 31, 2014**

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

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

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

<u>CFDA No.</u>	<u>Program Title</u>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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

The City did not qualify as a low-risk auditee under OMB Circular A-133.

STATUS OF PRIOR AUDIT FINDINGS

City of Sunnyside Yakima County January 1, 2014 through December 31, 2014

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the City of Sunnyside. The State Auditor's Office has reviewed the status as presented by the District.

Audit Period: January 1, 2013 through December 31, 2013	Report Reference No: 1015291	Finding Reference No: 2013-001
Finding Caption: The City did not have adequate internal controls over accounting and financial statement preparation to ensure accurate reporting.		
Description of Condition: The City did not take appropriate action to submit accurate and timely annual reports. The City submitted draft financial statements in January of 2015. These statements did not include a Schedule of Expenditure of Federal Awards (SEFA). We performed an audit of these financial statements and were unable to conclude that the financial statements were materially correct. We provided the City with an opportunity to provide our office with revised financial statements. The corrected financial statements for 2013 were submitted to our office in May of 2015. This was one year after the state reporting deadline, which resulted in the City missing its federal deadline of September 30, 2014. The SEFA reported nearly \$1.7 million in federal expenditures, requiring a federal single audit. Although the City was able to provide support for 2013 financial reports, the City did not meet the required federal single audit deadline. We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency: <ul style="list-style-type: none"> • Due to staff turnover, the City did not have the necessary information to support the original amounts on the financial statements and did not have enough information to prepare the SEFA timely. • The City did not perform bank reconciliations to ensure amounts recorded in the general ledger reconciled with transactions processed through the City's bank accounts. Management did not monitor to ensure bank reconciliations were being performed. 		

- Individuals responsible for preparing the financial statements lacked adequate training and understanding of the *Budgeting, Accounting and Reporting System (BARS)* manual and financial reporting requirements for cash basis entities.
- The City did not have an effective review of the original financial statements to ensure financial transactions were presented properly and complete.

Status of Corrective Action: (check one)

<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> No Corrective Action Taken	<input type="checkbox"/> Finding is considered no longer valid
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Corrective Action Taken:
The City has made substantial efforts to establish controls to address the prior audit recommendation; however, the City acknowledges that there are still areas that need strengthening to ensure the financial statements are free of errors. The City continues to evaluate financial preparation procedures and has sought external help with the preparation of the financials. City management has also attended various BARS trainings to gain the knowledge of the reporting requirements and to help ensure the financial statements are prepared in accordance with such reporting requirements.

**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, 2014 through December 31, 2014**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 28, 2015.

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.

In addition, we noted certain matters that we will report to the management of the City of Sunnyside in a separate letter dated September 28, 2015.

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 blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 28, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Sunnyside
Yakima County
January 1, 2014 through December 31, 2014**

Council
City of Sunnyside
Sunnyside, Washington

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

We have audited the compliance of the City of Sunnyside, Yakima County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes

examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

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

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 OMB Circular A-133. 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 blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 28, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sunnyside Yakima County January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 17.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2014, 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, 2014, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information 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 28, 2015 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 28, 2015

FINANCIAL SECTION

**City of Sunnyside
Yakima County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

City of Sunnyside
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		<u>Total for All Funds (Memo Only)</u>	<u>001 GENERAL FUND</u>	<u>101 STREET</u>
Beginning Cash and Investments				
30810	Reserved	3,186,786	(134,859)	39,167
30880	Unreserved	5,472,673	824,153	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	9,365,324	7,809,186	-
320	Licenses and Permits	319,010	317,010	2,000
330	Intergovernmental Revenues	4,994,481	599,079	4,254,549
340	Charges for Goods and Services	8,021,830	1,305,912	-
350	Fines and Penalties	351,562	271,473	-
360	Miscellaneous Revenues	464,212	41,333	-
Total Operating Revenues:		<u>23,516,419</u>	<u>10,343,993</u>	<u>4,256,549</u>
Operating Expenditures				
510	General Government	2,441,238	2,024,989	-
520	Public Safety	7,658,152	5,955,402	-
530	Utilities	4,013,744	164	-
540	Transportation	1,593,637	206,897	1,016,830
550	Natural and Economic Environment	153,276	153,276	-
560	Social Services	16,664	16,664	-
570	Culture and Recreation	661,914	565,584	-
Total Operating Expenditures:		<u>16,538,624</u>	<u>8,922,975</u>	<u>1,016,830</u>
Net Operating Increase (Decrease):		6,977,794	1,421,017	3,239,719
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	574,764	152,380	12,200
391-393	Debt Proceeds	387,132	-	-
397	Transfers-In	2,317,483	25,000	1,784,040
Total Nonoperating Revenues:		<u>3,279,379</u>	<u>177,380</u>	<u>1,796,240</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	241,770	231,647	-
591-593	Debt Service	2,145,567	23,497	-
594-595	Capital Expenditures	6,883,812	170,658	5,137,890
597	Transfers-Out	2,317,483	916,499	-
Total Nonoperating Expenditures:		<u>11,588,632</u>	<u>1,342,301</u>	<u>5,137,890</u>
Net Increase (Decrease) in Cash and Investments:		(1,331,459)	256,096	(101,931)
Ending Cash and Investments				
50810	Reserved	1,459,163	-	-
50880	Unreserved	5,868,838	945,392	(62,764)

The accompanying notes are an integral part of this statement.

120 INVESTIGATIVE FUND	130 POLICE DEPT CRIME PREVENTION	140 PUBLIC SAFETY TAX	160 TOURISM EXPANSION	201 GENERAL OBLIGATION BONDS	303 COMMUNITY DEVELOPMENT BLOCK GRANT
78,670	89,537	79,426	127,663	60,661	57,348
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	105,503	554,064	-
-	-	-	-	-	-
-	9,360	-	-	-	-
-	-	-	-	-	-
2,023	78,066	-	-	-	-
9,883	-	-	-	-	-
11,906	87,426	-	105,503	554,064	-
-	-	-	-	-	-
37,843	64,541	349,484	-	-	-
-	-	21,600	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	96,330	-	-
37,843	64,541	371,084	96,330	-	-
(25,937)	22,885	(371,084)	9,173	554,064	-
-	-	-	-	-	-
-	-	-	-	-	1,740
-	-	-	-	234,083	-
-	-	-	-	234,083	1,740
-	-	-	-	-	-
-	-	-	-	850,615	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	850,615	-
(25,937)	22,885	(371,084)	9,173	(62,468)	1,740
-	-	-	-	(1,807)	59,088
52,734	112,422	(291,658)	136,836	-	-

The accompanying notes are an integral part of this statement.

304 LOCAL CAPITAL IMPROVEMENTS (REET 1)	305 LOCAL CAPITAL IMPROVEMENT (REET 2)	322 FIRE EQUIPMENT RESERVE FUND	323 2011 FIRE STATION PROJEC T	410 WATER	420 SEWER
241,874	119,026	45,227	2,145,404	-	237,640
-	-	-	-	1,731,335	2,414,191
-	-	-	-	-	-
48,936	48,936	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,189,672	2,873,737
-	-	-	-	-	-
-	-	-	-	2,111	1,842
48,936	48,936	-	-	2,191,783	2,875,579
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,353,257	1,373,780
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,353,257	1,373,780
48,936	48,936	-	-	838,526	1,501,799
-	-	-	-	6,011	-
-	-	-	-	385,392	-
-	-	-	-	-	274,360
-	-	-	-	391,403	274,360
-	-	-	-	-	-
-	-	-	-	275,076	995,456
-	341	15,926	963,918	85,432	98,357
99,715	-	-	-	605,484	695,785
99,715	341	15,926	963,918	965,992	1,789,598
(50,779)	48,595	(15,926)	(963,918)	263,937	(13,439)
191,095	-	29,301	1,181,486	-	-
-	167,621	-	-	1,995,272	2,638,392

The accompanying notes are an integral part of this statement.

430 GARBAGE	440 AMBULANCE/EM S	450 STORMWATER	501 EQUIPMENT RENTAL	503 PUBLIC WORKS SERVICE CENTER	504 INFORMATION TECHNOLOGY
-	-	-	-	-	-
45,501	340,901	116,591	-	-	0
-	-	-	-	-	-
-	798,699	-	-	-	-
-	-	-	-	-	-
-	1,473	130,020	-	-	-
994,418	474,345	147,013	-	36,734	-
-	-	-	-	-	-
33	25,840	61	383,108	-	-
994,451	1,300,357	277,094	383,108	36,734	-
-	-	-	-	-	416,249
-	1,250,881	-	-	-	-
1,113,699	-	151,244	-	-	-
-	-	-	314,524	55,387	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,113,699	1,250,881	151,244	314,524	55,387	416,249
(119,248)	49,476	125,850	68,584	(18,653)	(416,249)
-	-	-	20,892	-	383,282
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	20,892	-	383,282
-	-	10,122	-	-	-
-	-	-	924	-	-
-	155,191	182,996	71,036	-	2,067
-	-	-	-	-	-
-	155,191	193,118	71,960	-	2,067
(119,248)	(105,715)	(67,268)	17,516	(18,653)	(35,034)
-	-	-	-	-	-
(73,747)	235,186	49,323	17,516	(18,653)	(35,033)

The accompanying notes are an integral part of this statement.

City of Sunnyside
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	601 JAIL TRUST FUND	602 Court Fund Trust Account	611 FIREMAN'S RELIEF & PENSION
308	Beginning Cash and Investments	327,454	10,661	38,749	273,550
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	15,512	-	-	15,512
380-390	Other Increases and Financing Sources	1,293,884	114,348	1,179,536	-
510-570	Expenditures	3,116	-	-	3,116
580-590	Other Decreases and Financing Uses	1,276,301	98,778	1,177,523	-
Net Increase (Decrease) in Cash and Investments:		29,979	15,570	2,013	12,396
508	Ending Cash and Investments	357,432	26,230	40,762	285,946
		621 POLICE DEPT HONOR GUARD			
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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

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

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 City of Sunnyside on a cost reimbursement basis.

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

FIDUCIARY FUND TYPES:

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

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

B. BASIS OF ACCOUNTING

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

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

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

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

C. BUDGETS

The City of Sunnyside adopts annual appropriated budgets for all funds except for fiduciary funds which are not budgeted. Budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
GENERAL FUND	9,331,903	9,561,313	(229,410)
JAIL FUND	860,175	756,023	104,152
RECREATION FUND	587,743	621,921	(34,178)
West Sunnyside Business Park	20,043	20,685	(642)
PAYROLL LIABILITY FUND		178,595	(178,595)
Total 001 - GENERAL FUND	10,799,864	11,138,537	(338,673)
101 - STREET	6,706,625	6,154,720	551,905
120 - INVESTIGATIVE FUND	44,931	37,843	7,088
130 - POLICE DEPT CRIME PREVENTION	74,900	64,541	10,359
140 - PUBLIC SAFETY TAX	378,194	371,084	7,110
160 - TOURISM EXPANSION	127,150	96,330	30,820
201 - GENERAL OBLIGATION BONDS	848,808	850,615	(1,807)
304 - LOCAL CAPITAL IMPROVEMENTS (REET 1)	99,715	99,715	
305 - LOCAL CAPITAL IMPROVEMENT (REET 2)		341	(341)
322 - FIRE EQUIPMENT RESERVE FUND	15,930	15,926	4
323 - 2011 FIRE STATION PROJECT	2,300,000	963,918	1,336,082
410 - WATER	2,521,819	2,319,249	202,570
420 - SEWER			
WATER/SEWER REVENUE BOND	360,756	360,756	(0)
W/S CAPITAL PROJECTS	527,831	527,831	
SEWER	2,918,964	2,361,187	557,777
Total 420 - SEWER	3,807,551	3,249,774	557,777
430 - GARBAGE	887,752	1,113,699	(225,947)
440 - AMBULANCE/EMS	1,452,556	1,406,072	46,484
450 - STORMWATER	741,218	344,362	396,856
501 - EQUIPMENT RENTAL	383,108	386,483	(3,375)
503 - PUBLIC WORKS SERVICE CENTER	51,734	55,387	(3,653)
504 - INFORMATION TECHNOLOGY	408,282	418,315	(10,033)
601 - JAIL TRUST FUND		98,778	(98,778)
602 - Court Fund Trust Account			
Court Fund Trust Account		916,942	(916,942)
STATE COURT FINES FUND	440,000	321,742	118,258
Total 602 - Court Fund Trust Account	440,000	1,238,684	(798,684)
611 - FIREMAN'S RELIEF & PENSION		3,116	(3,116)

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

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

D. CASH

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

E. DEPOSITS

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

F. INVESTMENTS (see Note 3 – Investments)

G. DERIVATES AND SIMILAR TRANSACTIONS

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

H. CAPITAL ASSETS

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one (1) year. The capital assets of the City of Sunnyside are recorded as expenditures when purchased.

I. COMPENSATED ABSENCES

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

Sick leave may be accumulated up to 960 hours for commissioned police officers, police support staff and non-represented staff. Public works employees and other clerical employees may accrue up to 1,040 hours. Firefighters may accumulate up to 1,440 hours. The City pays for sick leave that exceeds the maximum accrual rate as of December 31st of each year. Those excess hours for full time employees are paid at 25% of their value. Upon separation after completing at least 10 years of service, all employees represented by union contract shall be paid 25% of their accumulated sick leave. Unless a specific employment agreement is in effect, non-represented employees shall be paid 25% of their accumulated sick leave upon retirement.

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

K. OTHER FINANCING SOURCES OR USES

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

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

L. 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 175 Members.

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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

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

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.

M. RESERVED FUND BALANCE

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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

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

NOTE 3 – INVESTMENTS

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

Investments by type at December 31, 2014 are as follows:

Type of Investment	City of Sunnyside's own investments	Investments held by City of Sunnyside as an agent for other local governments, individuals or private organizations	Total
Local Government Investment Pool (LGIP)	4,215,974	0	4,215,974
Total	\$4,215,974	0	\$4,215,974

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

NOTE 4 - PROPERTY TAXES

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

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

The City of Sunnyside's regular levy for the year 2014 was \$3.070933264679 per \$1,000 on an assessed valuation of \$625,864,102 for a total regular levy of \$1,921,986.89. In 2014, the City of Sunnyside had a voter-approved excess levy of \$0.91487082 per \$1,000 of assessed value on excess value of \$619,759,630 for payment of General Obligation Bonds for a total additional levy of \$567,000.

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Sunnyside and summarizes the City of Sunnyside's debt transactions for year ended December 31, 2014.

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

The debt service requirements for all general obligation and revenue debt including both principal and interest are as follows:

YEAR	GENERAL OBLIGATION AMOUNT	REVENUE AMOUNT	TOTAL
2014	935,795	1,133,187	2,068,982
2015	679,604	1,129,461	1,809,065
2016	666,659	1,134,492	1,801,151
2017	670,734	1,133,518	1,804,252
2018	673,834	1,167,300	1,841,134
2019-2031	8,167,125	9,186,060	17,353,185
TOTAL	\$11,793,751	\$14,884,018	\$26,677,769

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.

2012 UTGO Refunding Bonds

In 2012, the City of Sunnyside issued \$725,000 in Unlimited Tax General Obligation (UTGO) two year Refunding Bonds for the purpose of substantial debt service savings. These bonds refunded voter-approved UTGO bonds issued in 2001 which had previously refunded bonds issued in 1990 and 1995 for the purpose of constructing the City Pool and Law & Justice Center, respectively. This bond issue was paid in full in 2014.

Lease Purchase Agreements

In 2011, the City of Sunnyside entered into a lease-purchase agreement with US Bank for the purpose of equipment replacement. The agreement allowed for the purchase of five vehicles for the police department. This loan was paid in full in 2014.

Supporting Investments in Economic Development (SIED)

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

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.

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

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, 2014, the City of Sunnyside has drawn a total of \$3,940,635 on this loan and remitted principal payments totaling \$1,070,227. Only the drawn down portion less principal and interest repayments is included in debt service figures in the chart above.

In 2006, the City of Sunnyside secured a \$12,376,640 State Revolving Fund loan from the State of Washington to finance the 2005-2007 Wastewater Treatment Plant rehabilitation. The balance on December 31, 2014 was \$7,568,443.

NOTE 6 - PENSION PLANS

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

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

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

Local Government Pension System

The City of Sunnyside is also the administrator of a pension retirement system called the Firemen's Relief and Pension Fund. The system is shown as a trust fund in the financial statements of the City. As of December 31, 2014, there were a total of three individuals covered by this system of which none were currently employed and three were drawing benefits.

The most recent actuarial review of the system was done by Randall & Hurley, Inc. to determine the funding requirements as of December 31, 2005. As of 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 will maintain the funding policy of contributing 100% of the City of Sunnyside's share of the State tax on fire insurance premiums to the Firemen's Relief and Pension Fund. In 2014, this contribution totaled \$15,512.

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

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

OTHER DISCLOSURES

A. COMBINED FUNDS

For budgetary and operating purposes, the City of Sunnyside separated the Jail, Recreation and West Sunnyside Business Park divisions from the General Fund and placed them into their own funds (005, 006 and 007, respectively) beginning January 1, 2006. However, for reporting purposes, the City of Sunnyside can have only one General Fund. Therefore, Jail, Recreation and West Sunnyside Business Park financial activities have been combined with the General Fund for the 2014 Annual Report. All transfers amongst these three funds have been eliminated for reporting purposes. In addition, 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

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

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 2014 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. LEGAL COMPLIANCE DISCLOSURES

The 2014 Budget on page 3 of the Notes to the Financial Statements shows several funds over the appropriated budget amounts. Fund 001 – General Fund has a transfer to the Street Fund which caused the General Fund to be short. Fund 201 – General Obligation Bonds has an overpayment of interest. Funds 305 - REET 2, 501 - Equipment Rental, 503 - Public Works Service Center, 504 - Information Technology, 601 - Jail Trust Fund, and 602 – Court Fund Trust Account were inadvertently missed during the end of the year review for the last budget amendment. Fund 430 – Garbage shows a large deficit due to garbage billing being lower than charges from Yakima Waste. An audit was started in August, 2014 to begin addressing the differences between charges and billing. This audit is on-going as of May, 2015.

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, 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
- 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

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. 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, 2014**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	2007 LTGO BOND	12/1/2027	2,330,000	-	120,000	2,210,000
251.11	2012 (A) LTGO Bond	12/1/2031	5,056,902	243,098	-	5,300,000
251.11	2012 (B) LTGO REFDG	12/1/2014	365,000	-	365,000	-
263.51	US Bank #5	9/20/2014	62,565	-	62,565	-
263.81	SIED #3 Columbia River Bank	6/1/2015	34,088	-	16,730	17,358
263.81	SIED #4 Airport	6/1/2018	25,000	-	4,323	20,677
259.11	Compensated Absences - General Obligation	12/31/2013	878,295	-	97,979	780,316
Total General Obligations:			8,751,850	243,098	666,597	8,328,351
Revenue Obligations						
252.11	2005 Water/Sewer Revenue Refinance	8/1/2017	875,000	-	205,000	670,000
252.11	2007 Water/Sewer Revenue	12/1/2027	2,285,000	-	-	2,285,000
263.82	DWSRF Loan	10/1/2025	2,745,961	385,392	260,946	2,870,407
263.82	Ecology Loan	4/16/2027	8,568,443	-	634,699	7,933,744
259.12	Compensated Absences - Revenue	12/31/2013	100,106	116,626	-	216,732
Total Revenue Obligations:			14,574,510	502,018	1,100,645	13,975,883
Total Liabilities:			23,326,360	745,116	1,767,242	22,304,234

**City of Sunnyside
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
CDBG - State-Administered CDBG Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via WA State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	09-64005-067	1,740	-	1,740	1, 3
Total CDBG - State-Administered CDBG Cluster:				1,740	-	1,740	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUS-9939- (021)	2,517,671	-	2,517,671	1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	6th Street Improvements	75,515	-	75,515	1, 2
Total Highway Planning and Construction Cluster:				2,593,186	-	2,593,186	
JAG Program Cluster							
Bureau Of Justice Assistance, Department Of Justice (via Yakima County Sheriff's Office)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	LEAD Task Force	30,653	-	30,653	1, 2
Total JAG Program Cluster:				30,653	-	30,653	
Other Programs							
Federal Aviation Administration (faa), Department Of Transportation (via Washington State Department of Transportation)	Airport Improvement Program	20.106	3-53-0074-006- 2013	215,422	-	215,422	1, 2
Total Federal Awards Expended:				2,841,001	-	2,841,001	

CITY OF SUNNYSIDE, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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

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 \$1,740.00.

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.

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