



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Sumas

Whatcom County

For the period January 1, 2015 through December 31, 2016

Published December 14, 2017

Report No. 1020380





Office of the Washington State Auditor
Pat McCarthy

December 14, 2017

Mayor and City Council
City of Sumas
Sumas, Washington

Report on Financial Statements

Please find attached our report on the City of Sumas' 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 Sumas
Whatcom County
January 1, 2015 through December 31, 2016**

Mayor and City Council
City of Sumas
Sumas, 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 Sumas, Whatcom County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated December 7, 2017.

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 audits 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

December 7, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sumas Whatcom County January 1, 2015 through December 31, 2016

Mayor and City Council
City of Sumas
Sumas, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sumas, Whatcom County, Washington, for the years ended December 31, 2016 and 2015, 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 audits. We conducted our audits 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 Sumas 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 Sumas, for the years ended December 31, 2016 and 2015, 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 Sumas, as of December 31, 2016 and 2015, or the changes in financial position or cash flows for the years 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 audits were performed for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are 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 December 7, 2017 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

December 7, 2017

FINANCIAL SECTION

**City of Sumas
Whatcom County
January 1, 2015 through December 31, 2016**

FINANCIAL STATEMENTS

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

Schedule of Liabilities – 2016
Schedule of Liabilities – 2015

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

		Total for All Funds (Memo Only)	001 Current Expense	104 Ec. Dev. Fund	105 Civic Imp
Beginning Cash and Investments					
30810	Reserved	577,603	78,159	172,868	14,611
30880	Unreserved	1,789,798	606,706	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,220,068	1,163,852	-	2,280
320	Licenses and Permits	52,023	52,023	-	-
330	Intergovernmental Revenues	120,071	106,559	-	-
340	Charges for Goods and Services	3,674,750	85,924	-	-
350	Fines and Penalties	68,599	68,599	-	-
360	Miscellaneous Revenues	19,075	3,285	4,993	-
Total Revenues:		5,154,587	1,480,243	4,993	2,280
Expenditures					
510	General Government	307,201	304,080	-	-
520	Public Safety	964,420	964,420	-	-
530	Utilities	3,189,082	18,694	-	-
540	Transportation	76,344	76,344	-	-
550	Natural and Economic Environment	24,933	22,933	-	2,000
560	Social Services	1,986	1,986	-	-
570	Culture and Recreation	30,746	30,746	-	-
Total Expenditures:		4,594,711	1,419,202	-	2,000
Excess (Deficiency) Revenues over Expenditures:		559,874	61,039	4,993	280
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	145,981	1,085	47,633	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		145,981	1,085	47,633	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	23,093	9,379	-	-
591-593, 599	Debt Service	21,893	-	-	-
597	Transfers-Out	13,521	13,521	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	214,486	1,094	147,601	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		272,993	23,994	147,601	-
Increase (Decrease) in Cash and Investments:		432,862	38,130	(94,975)	280
Ending Cash and Investments					
5081000	Reserved	522,682	62,997	77,893	14,891
5088000	Unreserved	2,276,718	659,135	-	-
Total Ending Cash and Investments		2,799,400	722,132	77,893	14,891

The accompanying notes are an integral part of this statement.

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

		107 CJ Lo-Pop	301 REET I	302 REET II	401 Water-Sewer
Beginning Cash and Investments					
30810	Reserved	24,203	144,895	111,974	6,558
30880	Unreserved	-	-	-	878,531
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	26,968	26,968	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,000	-	-	-
340	Charges for Goods and Services	-	-	-	1,126,352
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	316
Total Revenues:		1,000	26,968	26,968	1,126,668
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	832,452
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	832,452
Excess (Deficiency) Revenues over Expenditures:		1,000	26,968	26,968	294,216
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	65,791
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	65,791
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	4,623
591-593, 599	Debt Service	-	-	-	6,558
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	65,791
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	76,972
Increase (Decrease) in Cash and Investments:		1,000	26,968	26,968	283,035
Ending Cash and Investments					
5081000	Reserved	25,203	171,863	138,942	6,558
5088000	Unreserved	-	-	-	1,161,566
Total Ending Cash and Investments		25,203	171,863	138,942	1,168,123

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

		<u>411 Light</u>
Beginning Cash and Investments		
30810	Reserved	24,335
30880	Unreserved	304,561
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	12,512
340	Charges for Goods and Services	2,462,474
350	Fines and Penalties	-
360	Miscellaneous Revenues	10,482
Total Revenues:		<u>2,485,467</u>
Expenditures		
510	General Government	3,121
520	Public Safety	-
530	Utilities	2,337,937
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>2,341,058</u>
Excess (Deficiency) Revenues over Expenditures:		144,410
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	31,472
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>31,472</u>
Other Decreases in Fund Resources		
594-595	Capital Expenditures	9,090
591-593, 599	Debt Service	15,335
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		<u>24,426</u>
Increase (Decrease) in Cash and Investments:		151,456
Ending Cash and Investments		
5081000	Reserved	24,335
5088000	Unreserved	456,017
Total Ending Cash and Investments		480,352

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 Current Expense	105 Civic Imp	107 CJ Lo-Pop
Beginning Cash and Investments					
30810	Reserved	525,379	240,907	14,682	23,157
30880	Unreserved	1,782,660	610,723	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,172,537	1,129,963	1,901	-
320	Licenses and Permits	21,826	21,826	-	-
330	Intergovernmental Revenues	215,971	214,971	-	1,000
340	Charges for Goods and Services	3,360,799	55,781	-	-
350	Fines and Penalties	56,190	56,190	-	-
360	Miscellaneous Revenues	74,510	23,031	28	46
Total Operating Revenues:		4,901,833	1,501,762	1,929	1,046
Operating Expenditures					
510	General Government	316,966	316,966	-	-
520	Public Safety	984,456	984,456	-	-
530	Utilities	3,213,845	20,398	-	-
540	Transportation	91,220	91,220	-	-
550	Natural and Economic Environment	17,964	15,964	2,000	-
560	Social Services	3,223	3,223	-	-
570	Culture and Recreation	42,413	42,413	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		4,670,086	1,474,639	2,000	-
Net Operating Increase (Decrease):		231,746	27,122	(71)	1,046
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	210,527	119,410	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	32,631	23,631	-	-
Total Nonoperating Revenues:		243,158	143,041	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	183,942	93,183	-	-
591-593	Debt Service	21,893	-	-	-
594-595	Capital Expenditures	139,611	70,878	-	-
597	Transfers-Out	70,098	-	-	-
Total Nonoperating Expenditures:		415,543	164,061	-	-
Net Increase (Decrease) in Cash and Investments:		59,360	6,102	(71)	1,046
Ending Cash and Investments					
5081000	Reserved	577,603	251,027	14,611	24,203
5088000	Unreserved	1,789,798	606,706	-	-
Total Ending Cash and Investments		2,367,401	857,733	14,611	24,203

The accompanying notes are an integral part of this statement.

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		301 REET I	302 REET II	401 Water-Sewer	411 Light
Beginning Cash and Investments					
30810	Reserved	124,298	91,442	6,558	24,335
30880	Unreserved	-	-	738,526	410,380
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	20,337	20,337	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	1,093,383	2,211,635
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	260	196	21,038	29,912
Total Operating Revenues:		20,597	20,532	1,114,420	2,241,547
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	939,825	2,253,622
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		-	-	939,825	2,253,622
Net Operating Increase (Decrease):		20,597	20,532	174,595	(12,075)
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	59,256	31,261
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	9,000
Total Nonoperating Revenues:		-	-	59,256	40,261
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	59,256	31,503
591-593	Debt Service	-	-	6,558	15,335
594-595	Capital Expenditures	-	-	28,033	40,700
597	Transfers-Out	-	-	-	46,467
Total Nonoperating Expenditures:		-	-	93,846	134,004
Net Increase (Decrease) in Cash and Investments:		20,597	20,532	140,004	(105,818)
Ending Cash and Investments					
5081000	Reserved	144,895	111,974	6,558	24,335
5088000	Unreserved	-	-	878,531	304,561
Total Ending Cash and Investments		144,895	111,974	885,088	328,896

The accompanying notes are an integral part of this statement.

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		701 Cemetery Care
<hr/>		
Beginning Cash and Investments		
30810	Reserved	-
30880	Unreserved	23,031
388 & 588	Prior Period Adjustments, Net	-
Operating Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
	Total Operating Revenues:	<hr/> -
Operating Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
598	Miscellaneous Expenses	-
	Total Operating Expenditures:	<hr/> -
	Net Operating Increase (Decrease):	<hr/> -
Nonoperating Revenues		
370-380, 395 & 398	Other Financing Sources	600
391-393	Debt Proceeds	-
397	Transfers-In	-
	Total Nonoperating Revenues:	<hr/> 600
Nonoperating Expenditures		
580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	-
597	Transfers-Out	23,631
	Total Nonoperating Expenditures:	<hr/> 23,631
	Net Increase (Decrease) in Cash and Investments:	<hr/> (23,031)
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	-
	Total Ending Cash and Investments	<hr/> -

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	622 Light Deposit Fund	623 TV Deposit Fund	624 Court Trust Fund
308	Beginning Cash and Investments	47,833	37,085	382	10,316
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	87,557	12,030	135	14,267
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	93,998	11,580	86	22,183
	Net Increase (Decrease) in Cash and Investments:	(6,442)	450	50	(7,916)
508	Ending Cash and Investments	41,391	37,535	431	2,400

		631 Treasurer's Trust	632 Court Remittances	633 EMS Two Thirds Tax
308	Beginning Cash and Investments	50	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	2,855	46,786	11,484
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	2,855	46,786	10,509
	Net Increase (Decrease) in Cash and Investments:	0	(0)	975
508	Ending Cash and Investments	50	-	975

The accompanying notes are an integral part of this statement.

City of Sumas
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	602 Light Deposits	603 TV Deposits	624 Court Trust Fund
308	Beginning Cash and Investments	-	-	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	-	-
380-390	Other Increases and Financing Sources	137,090	37,085	382	17,496
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	89,258	-	-	7,180
	Net Increase (Decrease) in Cash and Investments:	47,832	37,085	382	10,316
508	Ending Cash and Investments	47,833	37,085	382	10,316

		631 Treasurer's Trust	632 Court Remit Fund	633 EMS Tax Fund
308	Beginning Cash and Investments	-	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	-	-	-
380-390	Other Increases and Financing Sources	9,012	61,278	11,838
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	8,962	61,278	11,838
	Net Increase (Decrease) in Cash and Investments:	50	0	(0)
508	Ending Cash and Investments	50	-	-

The accompanying notes are an integral part of this statement.

CITY OF SUMAS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

The City of Sumas was incorporated in 1891 and operates under the laws of the State of Washington applicable to a Non-Charter Code City. The City of Sumas is a general purpose government that provides electrical, street improvements, parks, health and social, police and municipal court, and general administrative services. In addition, the City of Sumas owns and operates water and sewer systems and a cable television system.

The City of Sumas 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. The 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 Fund

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by 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.

Agency Funds

These funds are used to account for assets that the City of Sumas holds for others in a custodial capacity.

B. Basis of Accounting

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

C. Budgets

The City of Sumas adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level except the general/current expense fund, where the 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 reports.

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

FUND/DEPARTMENT	FINAL APPROPRIATION	ACTUAL EXPENDITURE	VARIANCE
GENERAL FUND			
Legislative	\$ 13,250.00	\$ 13,861.47	\$ (611.47)
Legislative	\$ 132,000.00	\$ 129,136.27	\$ 2,863.73
Executive	\$ 10,700.00	\$ 10,687.67	\$ 12.33
Financial/Admin.	\$ 87,250.00	\$ 60,746.14	\$ 26,503.86
Legal/Professional	\$ 15,000.00	\$ 16,613.31	\$ (1,613.31)
Central Services	\$ 76,950.00	\$ 73,034.73	\$ 3,915.27
Security/Police	\$ 906,559.11	\$ 761,718.34	\$ 144,840.77
Fire Control	\$ 201,000.00	\$ 153,505.00	\$ 47,495.20
Detention/Correction	\$ 52,000.00	\$ 45,954.15	\$ 6,045.85
Emergency Services	\$ 3,300.00	\$ 3,243.00	\$ 57.00
Physical Environment	\$ 95,754.69	\$ 23,283.20	\$ 72,471.49
Economic Environ.	\$ 17,750.00	\$ 14,558.67	\$ 3,191.33
Public Health	\$ 3,600.00	\$ 1,985.79	\$ 1,614.21
Public Facilities	\$ 48,486.20	\$ 20,732.03	\$ 27,754.17
Non-Expenditures	\$ 71,650.00	\$ 1,094.25	\$ 70,555.75
Total General Fund	\$1,735,250.00	\$ 1,330,154.02	\$ 405,095.98
STREET	\$ 261,550.00	\$ 84,703.94	\$ 176,846.06
CEMETERY	\$ 61,075.00	\$ 18,632.55	\$ 42,442.45
ECONOMIC DEVELOP.	\$ 201,050.00	\$ 147,600.95	\$ 53,449.05
CIVIC IMPROVEMENT	\$ 15,535.00	\$ 2,000.00	\$ 13,535.00
CRIM. JUSTICE LO-POP	\$ 25,050.00	\$ -	\$ 25,050.00
REET I	\$ 159,150.00	\$ -	\$ 159,150.00
REET II	\$ 126,100.00	\$ -	\$ 126,100.00
WATER-SEWER	\$ 1,550,510.00	\$ 898,671.44	\$ 651,838.56
WS HOOK-UP	\$ 302,625.00	\$ -	\$ 302,625.00
STORM SEWER	\$ 49,570.00	\$ 10,752.38	\$ 38,817.62
LIGHT	\$ 2,510,405.00	\$ 2,364,705.37	\$ 145,699.63
CERB REDEMPTION	\$ 19,015.00	\$ 8,777.78	\$ 10,237.22
LIGHT DEPOSITS	\$ 47,000.00	\$ 11,580.00	\$ 35,420.00
TV DEPOSITS	\$ 200.00	\$ 85.50	\$ 114.50
COURT TRUST	\$ -	\$ 22,183.31	\$ (22,183.31)
TREASURER'S TRUST		\$ 2,854.57	\$ (2,854.57)
COURT REMIT	\$ -	\$ 51,435.33	\$ (51,435.33)
EMS TAX	\$ -	\$ 10,508.76	\$ (10,508.76)
Sub-Total	\$ 5,328,835.00	\$ 3,634,491.88	\$ 1,694,343.12
TOTAL BUDGET	\$7,064,085.00	\$ 4,964,645.90	\$ 2,099,439.10

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employer positions, salary ranges, hours, or other conditions of employment must be approved by the City of Sumas' legislative body.

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital Assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 40 hours past the end of January of the following year it was earned and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,136 hours. Upon separation or retirement, those employees who have worked more than 10 years will receive payment for $\frac{1}{4}$ of the unused sick leave.

As required for reporting, compensated absence values including Payroll Taxes appear on Schedule 09.

G. Long-Term Debt

See Note 3, Debt Service Requirements.

H. Other Financing Sources or Uses

The City of Sumas 'Other Financing Sources or Uses' are Non-revenues and Restitution for Budgeted Revenues, and for Budgeted Expenditures, consists of only Non-expenditures.

I. Risk Management

The City of Sumas is a member of Cities Insurance Association of Washington, (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of December 1, 2016, there are 205 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with **the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000.** The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among participating members towards the sharing of \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$%1,718,302.**

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of **Pumps & Motors, which is \$10,000.** Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending **December 1, 2016, were \$1,484,482.16.**

J. HEALTH & WELFARE

The City of Sumas is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pool claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental, and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110-WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

K. Reserved Portion of Ending Cash

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

Reservations of Ending Cash consist of Special Revenue Funds 104, 105, 107, 301, & 302. In addition, Current Expense, Water-Sewer, and Light Beginning and Ending Cash include some reserved funds.

MCAG 0793		RESERVED FUND	INFORMATION 2016
FUND NAME	DESCRIPTION	AMOUNT	DOCUMENTATION
CURRENT EXPENSE	CBP SEIZURES	\$41,897.03	DOC EQUITABLE SHARING AGRMT
	CASH IN OFFICE	\$1,100.00	CASH IN OFFICE
	SOCCO	\$20,000.00	CREEK ENHANCEMENT
ECONOMIC DEV		\$77,893.02	ORDINANCE #1298
CIVIC IMPROV		\$14,890.84	RCW 67.28.180
CJ LOPOP		\$25,203.03	RCW 82.14.331 / SMC 2.40.210
REET I		\$171,863.02	RCW 82.46.101
REET II		\$138,972.45	RCW 82.14.030(2)0
WATER-SEWER	EDI LOAN	\$6,557.50	INTERLOCAL #200603011/COUNTY
LIGHT	EDI LOAN	\$6,557.50	INTERLOCAL #200603011/COUNTY
	CERB LOAN	\$9,000.00	CERB GRANT/RESOLUTION #505
CERB REDEMPT	CERB DEBT	\$8,777.78	CERB GRANT/RESOLUTION #505
LIGHT DEPOSITS		\$37,535.00	TRUST FUNDS
TV DEPOSITS		\$431.00	TRUST FUNDS
COURT TRUST		\$2,400.00	TRUST FUNDS
TR. TRUST		\$50.00	TRUST FUNDS
EMS REMIT		\$974.85	AGENCY FUNDS
TOTALS		\$564,103.02D	

NOTE 2 – DEPOSITS AND INVESTMENTS

The City has no explicit policy regarding investing cash surpluses. The City just began investing in August 2016, after losing our local bank. The interest on these investments has been deposited into the general fund.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City of Sumas or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>City's Own Investment</u>	<u>Total</u>
Other: Bank CD	\$100,000.00	\$100,000.00
Total	\$100,000.00	\$100,000.00

NOTE 3 – PROPERTY TAXES

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities.

Collections are distributed after the end of each month.

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

The City of Sumas' regular levy for the year 2016 was \$3.10 per \$1,000 on an assessed valuation of \$177,120,453 for a total regular levy of \$549,788.26.

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 of Sumas and summarizes the city's debt transactions for the year ended December 31, 2016.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$20,594.78	\$1,298.00	\$21,892.78
2017	\$20,771.78	\$1,121.00	\$21,892.78
2018	\$20,951.78	\$ 941.00	\$21,892.78
2019	\$21,134.78	\$ 758.00	\$21,892.78
2020	\$21,319.74	\$ 573.00	\$21,892.74
2021-2025	\$25,656.00	\$ 579.00	\$26,235.00
TOTAL	\$130,428.86	\$5,270.00	\$135,698.86

NOTE 5 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Sumas 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 PERS 2 and PERS 3.

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.

At June 30, 2016, the City of Sumas' proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	Allocation %		Liability (Asset)
PERS 1 UAAL	0.004989%	\$	267,933.00
PERS 2/3	0.006384%	\$	321,429.00
LEOFF 2	0.016233%	\$	(94,416.00)

LEOFF Plan 2

The City of Sumas 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.

NOTE 6 – OTHER DISCLOSURES

State Treasurer Distribution Checks show a difference of \$11,484.00. This difference is the amount of tax dollars the City of Sumas sends to Whatcom County under an agreement with Whatcom County and the Cities of Whatcom County for the purpose of distributing a 1/10 of one percent sales tax initiative for countywide emergency medical services. This amount can be found on Statement C-5 under EMS Tax.

CITY OF SUMAS

NOTES TO FINANCIAL STATEMENTS FOR 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sumas was incorporated in 1891 and operates under the laws of the State of Washington applicable to a Non-Charter Code City. The city of Sumas is a general purpose government that provides electrical, street improvements, parks, health and social, police and municipal court, and general administrative services. In addition, the City of Sumas owns and operates water and sewer systems and a cable television system.

The City of Sumas 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 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

The accounts of the City of Sumas are recognized on a cash 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 Sumas' 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 Sumas:

GOVERNMENTAL FUND TYPES

General Fund

This fund is the primary operating fund of the City of Sumas. It accounts for all financial resources except those required or elected to be accounted for in another fund. Funds 101, 103, and 104 are rolled into the General 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 Sumas.

Debt Service Funds

These funds account for the financial resources that are restricted or committed to expenditures for specified purposes of the City of Sumas.

Capital Project Funds

These funds account for financial resources which are restricted, committed, or assigned from the acquisition or construction of capital facilities of 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. Rolled into Fund 401 are Funds 403 and 410. Rolled into Fund 411 is Fund 413.

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.

Agency Funds

These funds are used to account for assets that the city of Sumas holds for others in a custodial capacity.

B. Basis of Accounting

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

C. Budgets

The City of Sumas adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level except the general (current expense) fund, where the 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.

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

FUND/DEPARTMENT	FINAL APPROPRIATION		ACTUAL EXPENDITURES	VARIANCE
GENERAL FUND	Ending Cash	\$100.00	\$0.00	\$100.00
Legislative		\$13,250.00	\$12,262.28	\$987.72
Judicial		\$134,000.00	\$116,772.81	\$17,227.19
Executive		\$10,600.00	\$10,791.29	(\$191.29)
Financial/Administrative		\$105,100.00	\$99,736.22	\$5,363.78
Legal/Professional		\$15,000.00	\$17,347.83	(\$2,347.83)
Central Services		\$90,000.00	\$60,055.15	\$29,944.85
Security/Police		\$962,500.00	\$808,490.98	\$154,009.02
Fire Control		\$135,000.00	\$133,478.00	\$1,522.00
Detention/Correction		\$43,000.00	\$39,324.64	\$3,675.36
Emergency Services		\$2,800.00	\$3,162.00	(\$362.00)
Physical Environment		\$58,010.00	\$16,939.41	\$41,070.59
Economic Environment		\$17,950.00	\$18,416.85	(\$466.85)
Public Health		\$2,600.00	\$3,223.33	(\$623.33)
Public Facilities		\$36,490.00	\$23,995.67	\$12,494.33
Non-Expenditures		\$81,750.00	\$81,067.30	\$682.70
Total General Fund		\$1,708,150.00	\$1,445,063.76	\$263,086.24
STREET		\$262,550.00	\$162,097.64	\$100,452.36
CEMETERY		\$49,125.00	\$19,422.98	\$29,702.02
ECONOMIC DEVELOPMENT		\$177,611.00	\$1,800.00	\$175,811.00
CIVIC IMPROVEMENT		\$16,635.00	\$2,000.00	\$14,635.00
CRIMINAL JUSTICE LO-POP		\$24,050.00	\$0.00	\$24,050.00
REET I		\$138,125.00	\$0.00	\$138,125.00
REET II		\$105,100.00	\$0.00	\$105,100.00
WATER-SEWER		\$1,392,174.00	\$998,676.53	\$393,497.47
WS HOOKUP		\$252,575.00	\$28,032.88	\$224,542.12
STORM SEWER		\$36,460.00	\$6,961.90	\$29,498.10
LIGHT		\$2,756,003.00	\$2,341,381.82	\$414,621.18
CERB REDEMPTION		\$19,030.00	\$8,777.78	\$10,252.22
LIGHT DEPOSITS		\$0.00	\$0.00	\$0.00
TV DEPOSITS		\$0.00	\$0.00	\$0.00
CEMETERY CARE		\$23,180.00	\$23,631.24	(\$451.24)
TREASURERS TRUST		\$0.00	\$8,961.54	(\$8,961.54)
Sub-Total		\$5,252,618.00	\$3,601,744.31	\$1,650,873.69
TOTAL BUDGET		\$6,960,768.00	\$5,046,808.07	\$1,913,959.93

Budgeted amounts are authorized to be transferred between (departments within any fund); 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 of Sumas' legislative body.

D. Cash and Investments

See Note 2, Deposits and Investments.

E. Capital Assets

Capital Assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 40 hours past the end of January of the following year it was earned and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,136 hours. Upon separation or retirement, those employees who have worked more than 10 years will receive payment for ¼ of the unused sick leave.

As required for reporting, compensated absence values including Payroll Taxes appear on Schedule 09.

G. Long-Term Debt

See Note 3, Debt Service Requirements.

H. Other Financing Sources or Uses

The City of Sumas Other Financing Sources or Uses consist of Non-revenues and Restitution for Budgeted Revenues and for Budgeted Expenditures Other Financing Resources or Uses consist of Non-expenditures.

I. Risk Management

The City of Sumas is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses by jointly purchase insurance and administrative services. **As of December 1, 2015, there are 210 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with **the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000**. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$2,140,107**.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of **Pumps & Motors, which is \$10,000**. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending **December 1, 2015, were \$627,702.49**.

J. Health and Welfare

The City of Sumas is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWX Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision with the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris Plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable

accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110-WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's Office.

K. Reserved Portion of Ending Cash

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 ordinance, resolution, or contract. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash consist of Special Revenue Funds 105, 107, 301, & 302. In addition Current Expense, Water-Sewer, and Light Beginning and Ending Cash include some reserved funds.

FUND NAME	DESCRIPTION	AMOUNT	DOCUMENTATION
Current Expense	CBP Seizures	\$ 57,059.11	DOJ Equitable Sharing Agreement
	Cash in Office	\$ 1,100.00	Cash in Office
	Court Trust	\$ 10,316.00	Court Records / Trust Funds
	EDC Funds	\$ 172,867.78	Rural Economic Development / Ordinance #1298
Civic Improvement		\$ 14,611.07	RCW 67.28.180
Criminal Justice Lopop		\$ 24,203.03	RCW82.14.331 / SMC 2.40.210
REET I		\$ 144,894.75	RCW 82.46.010
REET II		\$ 111,974.19	RCW 82.14.030(2)0
Water-Sewer	EDI Loan	\$ 6,557.50	Whatcom County Interlocal Contract #200603011
Light	EDI Loan	\$ 6,557.50	Whatcom County Interlocal Contract #200603011
	CERB Debt	\$ 9,000.00	CERB Grant per Resolution #505
CERB Redemption	CERB Debt	\$ 8,777.78	CERB Grant per Resolution #505
Light Deposits		\$ 37,085.00	Trust Funds
TV Deposits		\$ 381.50	Trust Funds
Treasurer's Trust		\$ 50.00	Trust Funds

NOTE 2 – DEPOSITS AND INVESTMENTS

It is the City of Sumas's policy to invest all temporary cash surpluses daily by using a "Sweep Account" through Bank of America. This policy utilizes all available cash for investments every day. The balance at the end of every business day after debits and credits are posted, is swept from the main city account into the sweep account for maximum earned interest. The amount is included in the cash and investments shown on the statement of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds contributing cash. All deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the City or its agent in the governments name.

NOTE 3- PROPERTY TAXES

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

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

The City's regular levy for the year 2015 was \$3.10 per \$1000 on an assessed valuation of \$171,084,232 for a total regular levy of \$530,361.12.

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 of Sumas and summarizes the City's debt transactions for the year ended December 31, 2015.

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

YEARS		PRINCIPAL		INTEREST		TOTAL
2015	\$	20,419.78	\$	1,473.00	\$	21,892.78
2016	\$	20,594.78	\$	1,298.00	\$	21,892.78
2017	\$	20,771.78	\$	1,121.00	\$	21,892.78
2018	\$	20,951.78	\$	941.00	\$	21,892.78
2019	\$	21,134.78	\$	758.00	\$	21,892.78
2020-2024	\$	46,975.74	\$	1,152.00	\$	48,127.74
2025-2029	\$	-	\$	-	\$	-
TOTAL	\$	150,848.64	\$	6,743.00	\$	157,591.64

NOTE 5 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all City of Sumas 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 multiple-employer public employee defined benefit and defined contribution retirement plans, PERS2 and PERS 3.

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

The Department of Retirement Systems (DRS), 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 in writing to:

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

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

At June 30, 2015, the City of Sumas' proportionate share of the collective net pension liabilities, as reported on Schedule 09, was as follows:

	Allocation %		Liability (Asset)
PERS 1 UAAL	0.005155%	\$	269,654.00
PERS 2/3	0.006659%	\$	237,930.00
LEOFF 2	0.017154%	\$	(176,309.00)

The City of Sumas 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.

NOTE 6 – OTHER DISCLOSURES

State Treasurer Distribution Checks show a difference of \$11,762.00. This difference is the amount of tax dollars the City of Sumas sends to Whatcom County under an agreement with Whatcom County and the Cities of Whatcom County for the purpose of distributing a 1/10 of one percent sales tax initiative for countywide emergency medical services. This amount can be found on Statement C-5 under Current Expense EMS Tax.

During our most recent audit, State Auditors suggested that when doing the annual report, the City report the Court Trust monies, Court Remittance monies and EMS Tax monies as Fiduciary Funds since they do not belong to the City. Since our 2015 was already done when the City had its exit conference, those new funds did not exist and were not added until April 2016. However, for reporting purposes, the City listed these three funds with the Fund Numbers that they now have, and removed them from Current Expense to report them as the auditors suggested. The bottom line for Reserved and Unreserved Balances are unaffected and remain balanced, however it shows that the City has a variation in Governmental Funds of the balance of the Court Trusts Fund as of the end of 2015.

**City of Sumas
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						
263.61	EDI / Whatcom County	3/7/2022	21,634	-	2,954	18,680
263.61	EDI / Whatcom County	3/7/2022	21,634	-	2,954	18,680
263.61	EDI / Whatcom County	3/7/2022	43,270	-	5,909	37,361
263.61	CERB T-1997-040	1/1/2018	26,334	-	8,778	17,556
Total General Obligation Debt/Liabilities:			112,871	-	20,595	92,276
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	CA / Proprietary	1/1/2016	32,803	3,680	-	36,483
259.12	CA / Government	1/1/2016	83,437	-	7,306	76,131
264.30	Net Pension Liability		507,584	81,778	-	589,362
Total Revenue and Other (non G.O.) Debt/Liabilities:			623,824	85,458	7,306	701,976
Total Liabilities:			736,695	85,458	27,901	794,252

**City of Sumas
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.61	EDI/Whatcom Co	3/7/2022	24,544	-	2,911	21,634
263.61	EDI/Whatcom Co.	3/7/2022	24,544	-	2,911	21,634
263.61	EDI/Whatcom Co.	3/7/2022	49,091	-	5,821	43,270
263.61	CERB T-1997-040	1/1/2018	35,111	-	8,778	26,334
Total General Obligation Debt/Liabilities:			133,290	-	20,420	112,871
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	CA/Proprietary		57,523	-	24,720	32,803
259.12	CA/Government		66,963	16,474	-	83,437
264.30	Net Pension Lia		-	507,584	-	507,584
Total Revenue and Other (non G.O.) Debt/Liabilities:			124,485	524,058	24,720	623,824
Total Liabilities:			257,776	524,058	45,140	736,695

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