



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Sumner

For the period January 1, 2017 through December 31, 2017

Published September 27, 2018

Report No. 1022312





Office of the Washington State Auditor

Pat McCarthy

September 27, 2018

Mayor and City Council
City of Sumner
Sumner, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sumner'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,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
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.....	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	9
Independent Auditor's Report on Financial Statements.....	12
Financial Section.....	16
About the State Auditor's Office.....	44

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Sumner January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**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 Sumner
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of Sumner
Sumner, 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 Sumner, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 24, 2018.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

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

**City of Sumner
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of Sumner
Sumner, Washington

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

We have audited the compliance of the City of Sumner, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

September 24, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sumner January 1, 2017 through December 31, 2017

Mayor and City Council
City of Sumner
Sumner, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sumner, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Sumner 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 Sumner, for the year ended December 31, 2017, 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 Sumner, as of December 31, 2017, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

September 24, 2018

FINANCIAL SECTION

City of Sumner January 1, 2017 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017

City of Sumner
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General	101 Street
Beginning Cash and Investments				
30810	Reserved	10,675,899	66,531	74,320
30880	Unreserved	25,626,157	3,542,608	141,781
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	12,456,354	11,363,640	216,285
320	Licenses and Permits	778,181	584,775	15,370
330	Intergovernmental Revenues	4,706,128	573,865	220,636
340	Charges for Goods and Services	24,342,134	1,254,021	105,752
350	Fines and Penalties	156,530	155,880	-
360	Miscellaneous Revenues	1,812,362	218,090	6,751
Total Revenues:		44,251,689	14,150,272	564,794
Expenditures				
510	General Government	5,219,849	3,853,787	-
520	Public Safety	4,499,605	4,436,971	-
530	Utilities	8,733,672	-	-
540	Transportation	1,945,772	-	1,510,005
550	Natural and Economic Environment	1,438,015	911,542	-
560	Social Services	257,364	257,364	-
570	Culture and Recreation	1,284,979	1,277,054	-
Total Expenditures:		23,379,257	10,736,719	1,510,005
Excess (Deficiency) Revenues over Expenditures:		20,872,432	3,413,553	(945,211)
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	7,827,205	-	-
397	Transfers-In	3,975,052	-	965,000
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	36,533	142	-
381, 395, 398	Other Resources	1,902,154	32,184	-
Total Other Increases in Fund Resources:		13,740,944	32,326	965,000
Other Decreases in Fund Resources				
594-595	Capital Expenditures	13,682,162	73,231	8,434
591-593, 599	Debt Service	10,861,204	674,127	-
597	Transfers-Out	3,750,052	1,842,732	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	649,078	-	-
581	Other Uses	4,581,049	1,180,000	-
Total Other Decreases in Fund Resources:		33,523,545	3,770,089	8,434
Increase (Decrease) in Cash and Investments:		1,089,831	(324,210)	11,355
Ending Cash and Investments				
5081000	Reserved	7,214,714	66,454	165,000
5088000	Unreserved	30,178,197	3,219,349	62,456
Total Ending Cash and Investments		37,392,910	3,285,803	227,456

The accompanying notes are an integral part of this statement.

102 Arterial Street	103 Complete Streets	106 Lodging Tax	109 Animal Control	111 Misc. Grant	200 Debt Service
166,120	-	65,501	-	37,407	4,509,869
1,241,380	-	-	75,120	-	-
-	-	-	-	-	-
165,000	-	85,951	-	-	-
-	-	-	118,614	-	-
3,061,544	250,000	-	-	20,568	-
-	-	-	407,302	-	-
-	-	-	650	-	-
1,003	62	94	17,331	43,402	794,473
3,227,547	250,062	86,045	543,896	63,970	794,473
-	-	2,800	-	-	-
-	-	-	-	62,634	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,500	523,973	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	5,300	523,973	62,634	-
3,227,547	250,062	80,745	19,924	1,336	794,473
-	-	-	-	-	-
2,058,660	-	-	-	-	386,392
-	-	-	-	-	-
-	7,128	-	-	-	-
-	-	-	-	-	-
2,058,660	7,128	-	-	-	386,392
6,693,129	253,097	-	-	-	-
-	-	-	-	-	3,109,739
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,693,129	253,097	-	-	-	3,109,739
(1,406,922)	4,093	80,745	19,924	1,336	(1,928,874)
-	4,093	146,246	-	38,744	2,580,995
578	-	-	95,043	-	-
578	4,093	146,246	95,043	38,744	2,580,995

221 LID Guarantee	302 Sidewalk	303 General Gov't Capital	307 LID Development	401 Water	402 Sewer
1,706,496	-	2,207,266	53,661	20,213	88,526
-	197,038	-	-	8,796,140	7,114,373
-	-	-	-	-	-
-	-	625,478	-	-	-
-	-	-	-	26,754	13,718
-	8,900	23,526	261,325	-	-
-	-	-	4,813,436	4,629,320	7,570,437
-	-	-	-	-	-
3,753	186	4,961	1,584	134,357	512,658
3,753	9,086	653,966	5,076,345	4,790,432	8,096,813
-	-	-	-	206,325	371,045
-	-	-	-	-	-
-	-	-	-	2,314,708	4,108,827
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,521,033	4,479,872
3,753	9,086	653,965	5,076,345	2,269,398	3,616,941
-	-	-	4,700,000	576,350	2,550,855
-	100,000	250,000	-	-	-
-	-	-	-	-	-
-	741	-	-	1,800	-
-	-	-	-	4,125	69,902
-	100,741	250,000	4,700,000	582,275	2,620,757
-	59,907	1,108,757	970,738	258,293	1,736,177
-	-	-	4,776,498	535,253	1,765,587
-	-	1,867,660	-	13,220	13,220
-	-	-	-	-	-
579,000	-	-	-	14,400	55,367
-	-	-	3,401,049	-	-
579,000	59,907	2,976,417	9,148,285	821,166	3,570,351
(575,247)	49,920	(2,072,452)	628,060	2,030,507	2,667,347
1,131,249	-	134,815	681,722	336,434	216,338
-	246,958	-	-	10,510,426	9,653,907
1,131,249	246,958	134,815	681,722	10,846,860	9,870,245

403 Utility Bond	408 Storm Sewer	410 Cemetery	420 Multi-Purpose Center	501 Unemployment Insurance	550 Fleet Operations
1,679,991	-	-	-	-	-
-	2,990,962	208,733	12,670	25,653	87,632
-	-	-	-	-	-
-	-	-	-	-	-
-	18,950	-	-	-	-
-	285,762	-	-	-	-
-	3,543,419	365,990	-	-	447,876
-	-	-	-	-	-
32,634	30,738	8,596	2	28	44
32,634	3,878,869	374,586	2	28	447,920
-	216,610	1,170	-	1,868	25,395
-	-	-	-	-	-
-	1,748,257	561,879	-	-	-
-	-	-	-	-	435,767
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,926	-	-
-	1,964,867	563,049	7,926	1,868	461,162
32,634	1,914,002	(188,463)	(7,924)	(1,840)	(13,242)
-	-	-	-	-	-
-	-	200,000	-	15,000	-
-	-	-	-	-	-
-	23,658	-	3,065	-	-
-	1,790,000	4,944	-	-	1,000
-	1,813,658	204,944	3,065	15,000	1,000
-	853,199	42,069	-	-	-
-	-	-	-	-	-
-	13,220	-	-	-	-
-	-	-	-	-	-
-	-	311	-	-	-
-	-	-	-	-	-
-	866,419	42,380	-	-	-
32,634	2,861,241	(25,899)	(4,859)	13,160	(12,242)
1,712,625	-	-	-	-	-
-	5,852,203	182,982	7,812	38,813	75,390
1,712,625	5,852,203	182,982	7,812	38,813	75,390

551 Technology Services	555 Fleet Replacement
-	-
24,068	1,167,999
-	-
-	-
-	-
-	-
548,792	655,789
-	-
1,007	608
549,799	656,397
540,849	-
-	-
-	-
-	-
-	-
-	-
-	-
540,849	-
8,950	656,397
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	1,625,133
-	-
-	-
-	-
-	-
-	-
-	-
-	1,625,133
8,950	(968,736)
-	-
33,018	199,262
33,018	199,262

City of Sumner
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	Investment Trust	Pension Trust
308	Beginning Cash and Investments	2,683,541	2,562,712	91,496
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	4,999,005	4,556,310	74,337
510-590	Deductions	775,840	324,184	88,150
	Net Increase (Decrease) in Cash and Investments:	4,223,165	4,232,126	(13,813)
508	Ending Cash and Investments	6,906,707	6,794,837	77,683

Agency
29,333
-
368,358
363,505
4,853
34,187

CITY OF SUMNER
Notes to the Financial Statements
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sumner was incorporated in 1891 and operates under the laws of the state of Washington applicable to an optional code city. Revised Code of Washington (RCW) 35.A and operates under Mayor/Council form of government. The City is administered by a part-time Mayor and full-time City Administrator. The City Council is comprised of seven part-time council members, all elected at large to four year terms. The City provides a range of municipal services authorized by state law, including law enforcement, municipal court, parks, cemetery, as well as water, sewer and storm sewer utilities.

The city 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. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below;
- Component units are required to be disclosed, but are not included in the financial statements;
- Government-wide statements, as defined in GAAP, are not presented;
- All funds are presented, rather than a focus on major funds;
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information;
- Supplementary information required by GAAP is not presented;
- Ending balances are not presented using the classifications defined in GAAP.

a. **Fund Accounting**

The accounts of the city 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's 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.

GOVERNMENTAL FUND TYPES:

General Fund (Funds 001, 002, 003 & 105)

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

Special Revenue Funds (Funds 101, 102, 106, 109 & 111)

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

Debt Service Funds (Fund 200)

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 (Funds 302, 303 & 307)

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds (Fund 601)

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

PROPRIETARY FUND TYPES:

Enterprise Funds (Funds 401, 402, 403, 408, 410, 415, and 420)

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

Internal Service Funds (Funds 501, 550, 551 & 555)

These funds account for operations that provide goods or services to other departments or funds of the city on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

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

Alder Avenue Remediation (603)

This fund accounts for the remediation activities of the Alder Avenue site.

Development Impact Fees Fund (Fund 605)

This fund accounts for impact fees collected by the city from developers.

Firemen's Pension Fund (611)

This fund accounts for the firemen's pension activity.

Agency Funds (Funds 612, 631, 635, 641 & 651)

These funds account for assets whereby the city acts as a pass through agent.

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 also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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 adopts biennial appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the end of the biennium.

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

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

		2017/2018	2017/2018 Revised	2017/2018		
Fund		Adopted Budget	Budget	2017 Actuals	Actuals	Variance
001	General Fund	\$ 25,686,655	\$ 27,359,612	\$ 14,606,475	\$ 14,606,475	\$ (12,753,137)
002	General Fund Reserves	-	-	-	-	-
003	Building Reserves	100,000	100,000	-	-	(100,000)
101	Streets	2,699,885	2,717,208	1,518,438	1,518,438	(1,198,770)
102	Arterial Streets	17,601,950	25,224,268	6,688,804	6,688,804	(18,535,464)
103	Complete Streets	-	250,000	245,969	245,969	(4,031)
105	Drug Enforcement	8,530	8,530	334	334	(8,196)
106	Hotel/Motel Tax	5,600	5,600	5,300	5,300	(300)
109	Animal Control	1,086,205	1,081,091	523,973	523,973	(557,118)
111	Miscellaneous Grants	-	22,445	62,634	62,634	40,189
200	Debt Service	635,656	3,355,656	3,109,739	3,109,739	(245,917)
221	LID Guarantee	579,000	579,000	579,000	579,000	-
302	Sidewalk	320,000	328,900	59,166	59,166	(269,734)
303	General Government Capital Asset	3,537,332	4,416,688	2,974,176	2,974,176	(1,442,512)
307	136th/Valentine LID	4,730,000	8,466,049	9,148,285	9,148,285	682,236
401	Water	10,648,250	11,404,905	3,342,199	3,342,199	(8,062,706)
402	Sewer	16,194,039	16,619,106	8,050,224	8,050,224	(8,568,882)
403	Utility Bond Reserves	-	-	-	-	-
408	Stormwater	9,578,991	9,685,728	2,807,629	2,807,629	(6,878,099)
410	Cemetery Operation	1,105,747	1,128,335	572,236	572,236	(556,099)
415	Cemetery Development	80,000	80,000	60,694	60,694	(19,306)
420	Multi-Purpose Operations Center	39,363	38,943	4,861	4,861	(34,082)
501	Unemployment Insurance	32,740	32,740	1,868	1,868	(30,872)
550	Fleet Operations	911,620	911,620	461,162	461,162	(450,458)
551	Technology Services	1,099,452	1,106,752	540,849	540,849	(565,903)
555	Fleet Replacement	1,099,000	1,099,000	1,625,133	1,625,133	526,133
601	Cemetery Endowment	-	-	-	-	-
603	Alder Avenue Remediation	-	1,265,000	74,184	74,184	(1,190,816)
605	Development Impact Fees	500,000	500,000	250,000	250,000	(250,000)
611	Firemen's Pension	172,000	172,000	67,491	67,491	(104,509)
612	South Valley Explorer's	-	-	-	-	-
615	Section 125 Plan	-	-	20,659	20,659	20,659
635	Municipal Court Trust Account	-	-	363,505	363,505	363,505
Total - All Funds		\$ 98,452,015	\$ 117,959,175	\$ 57,764,986	\$ 57,764,986	\$ (60,194,189)

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

d. Cash

It is the city policy to invest all temporary cash surpluses. The amount is included in the 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 deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation.

f. Investments

See Investment Note No. 3

g. Capital Assets

Capital assets are long-lived assets of the city and are recorded as expenditures when purchased.

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.

h. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation and sick leave accumulates at various rates, depending upon date of hire, contract and City policy

Vacation pay is payable upon resignation, retirement or death. Up to 100 percent of 720 hours of outstanding sick leave is payable upon separation, retirement or death depending upon time with City and circumstances of departure.

i. Long-Term Debt

See Long-Term Debt Note No. 7

k. Risk Management

The City of Sumner 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 161 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

I. Reserved Fund Balances

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

**City of Sumner
Reservations of Ending Cash & Investments
As of 12/31/2017**

Fund	Reserved for					Total
	Debt Service	Special Revenues	Unspent Development Fees	Trusts		
001 General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
002 General Fund Reserves	-	-	-	-	-	-
003 Building Reserves	-	-	-	-	-	-
101 Streets	-	165,000	-	-	-	165,000
102 Arterial Streets	-	-	-	-	-	-
103 Complete Streets	-	4,093	-	-	-	4,093
105 Drug Enforcement	-	66,954	-	-	-	66,954
106 Hotel/Motel Tax	-	146,246	-	-	-	146,246
109 Animal Control	-	-	-	-	-	-
111 Miscellaneous Grants	-	38,744	-	-	-	38,744
200 Debt Service	2,580,995	-	-	-	-	2,580,995
221 LID Guarantee	1,131,249	-	-	-	-	1,131,249
302 Sidewalk	-	-	-	-	-	-
303 General Government Capital Asset	-	134,815	-	-	-	134,815
307 136th/Valentine LID	-	-	-	-	-	-
401 Water	336,434	-	-	-	-	336,434
402 Sewer	216,338	-	-	-	-	216,338
403 Utility Bond Reserves	1,712,673	-	-	-	-	1,712,673
408 Stormwater	-	-	-	-	-	-
410 Cemetery Operation	-	-	-	-	-	-
415 Cemetery Development	-	-	-	-	-	-
420 Multi-Purpose Operations Center	-	-	-	-	-	-
430 Golf Course Operations	-	-	-	-	-	-
501 Unemployment Insurance	-	-	-	-	-	-
550 Fleet Operations	-	-	-	-	-	-
551 Technology Services	-	-	-	-	-	-
555 Fleet Replacement	-	-	-	-	-	-
601 Cemetery Endowment	-	-	-	1,407,332	-	1,407,332
603 Alder Avenue Remediation	-	-	-	826,313	-	826,313
605 Development Impact Fees	-	-	4,561,193	-	-	4,561,193
611 Firemen's Pension	-	-	-	53,717	-	53,717
612 South Valley Explorer's	-	-	-	-	-	-
615 Section 125 Plan	-	-	-	23,966	-	23,966
635 Municipal Court Account	-	-	-	34,187	-	34,187
	\$ 5,977,689	\$ 555,850	\$ 4,561,193	\$ 2,345,514	\$ -	\$ 13,440,246

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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

The City of Sumner budgets on a biennial basis. The City is in the first year of its 2017/2018 biennial budget.

NOTE 3 - INVESTMENTS

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

The City's investments are insured, registered or held by the City of Sumner or its Agent in the City's name. Investments are presented at cost.

Investments by type at December 31, 2017 are as follows:

Type of Investment	City's Own Investments	Investments Held by the City for other local governments, individual or private organizations	Total
Local Government Investment Pool	\$ 6,158,505	\$ -	\$ 6,158,505
US Government Securities	3,603,852	-	3,603,852
Total Investments	9,762,357	-	9,762,357

NOTE 4 - PROPERTY TAX

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

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

The city's regular levy for the year 2017 was \$1.17527 per \$1,000 on an assessed valuation of \$2,432,337,185 for a total regular levy of \$2,858,656.29.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2017.

Lending Fund	Borrowing Fund	12/31/16	New Loans	Repayments	12/31/17
General Fund	Golf Course	195,000	-	-	195,000
Storm Sewer Utility	General Fund	2,500,000	-	500,000	2,000,000
Storm Sewer Utility	LID Development Fund	800,000	-	800,000	-
Storm Sewer Utility	Golf Course	490,000	-	490,000	-
Cemetery Endowment	Golf Course	190,000	-	190,000	-
Developer Impact Fee	LID Development Fund	-	2,600,000	2,600,000	-
Total Interfund Loans		4,175,000	2,600,000	4,580,000	2,195,000

NOTE 6 – CASH BALANCES

As of December 31, 2017, the carrying amount of the presented fund's deposits and investments was \$46,488,730 and does not differ materially from the bank balances of deposits.

The City of Sumner Municipal Court holds a separate bank account for judicial transactions and bonds held in trust. This account is included in the reported cash balances. As of December 31, 2017, the balance of this account was \$34,187.

NOTE 7 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Liabilities (Schedule 09) provides more details of the outstanding debt and liability of the City and summarizes the City's debt transactions for 2017. The debt service payment for future payment requirements, including interest, are as follows:

General Obligation Bonds

	Principal	Interest	Total
2017	575,000	35,400	610,400
2018	150,000	12,400	162,400
2019	160,000	6,400	166,400
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
2037-2041	-	-	-
	885,000	54,200	939,200

Public Works Loans

	Principal	Interest	Total
2017	837,174	48,139	885,313
2018	837,174	41,123	878,297
2019	837,174	34,108	871,282
2020	837,174	27,092	864,266
2021	2,351,582	71,856	2,423,438
2022-2026	1,386,489	27,730	1,414,218
2027-2031	277,298	1,386	278,684
2032-2036	-	-	-
2037-2041	-	-	-
	7,364,065	251,434	7,615,499

Revenue Bonds

	Principal	Interest	Total
2017	530,000	43,600	573,600
2018	560,000	22,400	582,400
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	-	-	-
2037-2041	-	-	-
	1,090,000	66,000	1,156,000

Other Long-Term Debt (Loans, BAN¹)

	Principal	Interest	Total
2017	4,700,000	4,700,000	9,400,000
2018	389,710	58,637	448,347
2019	389,710	130,443	520,153
2020	389,710	123,578	513,288
2021	389,710	116,712	506,422
2022-2026	1,948,551	480,579	2,429,131
2027-2031	1,948,551	308,944	2,257,495
2032-2036	1,948,551	137,308	2,085,859
2037-2041	389,710	6,865	396,576
	12,494,204	6,063,067	18,557,271

Assessment Debt

	Principal	Interest	Total
2017	614,096	262,102	876,198
2018	89,096	243,534	332,630
2019	89,096	230,925	320,021
2020	89,096	228,217	317,313
2021	89,096	225,508	314,604
2022-2026	4,705,480	271,553	4,977,033
2027-2031	178,192	8,126	186,318
2032-2036	-	-	-
2037-2041	-	-	-
	5,854,153	1,469,965	7,324,118

Total Debt

	Principal	Interest	Total
2017	7,256,270	5,089,241	12,345,511
2018	2,025,980	378,094	2,404,074
2019	1,475,980	401,876	1,877,856
2020	1,315,980	378,887	1,694,867
2021	2,830,388	414,077	3,244,465
2022-2026	8,040,520	779,862	8,820,382
2027-2031	2,404,041	318,456	2,722,497
2032-2036	1,948,551	137,308	2,085,859
2037-2041	389,710	6,865	396,576
	27,687,422	7,904,666	35,592,088

NOTE 8 – HEALTH AND WELFARE

The City of Sumner 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, 2017, 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, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington 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 2017, 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 Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. 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.

NOTE 9 - PENSION PLANS

a) State Sponsored Pension Plans

Substantially all city full-time and qualifying part-time employees participate in LEOFF or PERS administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The state legislature establishes and amends laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

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

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

The City of Sumner 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.

As of June 30, 2017, the City of Sumner's proportionate share of the collective net pension liabilities as reported on the Schedule 9 was as follows:

Plan	DRS - Schedule of Employer and Non-Employer Allocations		DRS Schedule of Collective Pension Amounts	City's Portion of NPL	
	Employer Contribution	Allocation %	6/30/2017		12/31/2017
PERS 1	\$ 349,350.64	0.058078%	4,745,078,000	\$	2,755,846
PERS 2/3	417,948.02	0.068428%	3,474,522,000		2,377,546
	\$ 767,298.66		<i>Total Net Pension Liability (Schedule 9)</i>	\$	5,133,392
LEOFF 1	\$ -	0.015059%	(1,517,220,000)	\$	(228,478)
LEOFF 2	97,487.44	0.061711%	(1,387,676,000)		(856,349)
	\$ 97,487.44		<i>Net Pension Asset</i>	\$	(1,084,827)

¹UAAL represents the unfunded actuarial accrued liability

Source: WA State Department of Retirement Systems

<http://www.drs.wa.gov/administration/annual-report/pefi/PEFI-2017.pdf>

b) Local Government Pension Plans

City of Sumner Fire Relief and Pension Plan - The City is the administrator of the Firemen's Pension Plan (Plan), which is a closed, single-employer defined benefit pension plan that was established in conformance with RCW Chapters 41.16 and 41.18. This plan provides retirement benefits and annual cost-of-living adjustments to plan members and beneficiaries. Membership is limited to firefighters employed prior to March 1, 1970 when LEOFF retirement system was established. The City's obligation under the Firemen's Pension Plan consists of paying all benefits, including payments to beneficiaries and healthcare, for firefighters who retired prior to March 1, 1970, and excess pension and healthcare benefits of LEOFF for covered firefighters who retired after March 1, 1970. Benefits of the defined benefit pension plan are recognized when due and payable in accordance with the Plan. The Plan does not issue a separate financial report.

As of December 31, 2017 there were a total of two individuals covered by this system, all of whom were drawing benefits. The most recent actuarial study was done by Milliman to determine the funding requirements as of January 1, 2010. As of this date, the value of assets valued at market was \$409,000 plus the present value of future fire insurance premiums to be allocated to the Plan through 2019, of \$212,000; for total assets of \$621,000. The actuarial present value of future pension benefits, not provided by the LEOFF system, was \$1,272,000 leaving an unfunded pension benefit obligation of \$651,000.

The Plan is operating on a pay-as-you-go basis. The City pays pension benefits and reimbursable medical expenses from the Plan. Medical insurance coverage for eligible members is paid from the General Fund.

NOTE 10 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City of Sumner is a Participating Employer in the Association of Washington Cities Employee Benefit Trust "Trust", a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities "AWC". The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes

financial statements and required supplementary information for the Trust. That report, along with a copy of the Trust document, may be obtained by writing to the Trust at 1076 Franklin Street SE, Olympia WA 98501-1346 or by calling 1-800-562-8981.

Funding Policy: The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees, and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

Health First – 1000 Retiree

\$863.64	Non-Medicare enrolled retiree coverage
\$871.18	Non-Medicare enrolled spouse coverage
\$244.22	First child
\$193.14	Second child

No additional charge for 3 or more dependents

Health First – 2500 Retiree

\$754.08	Non-Medicare enrolled retiree coverage
\$759.56	Non-Medicare enrolled spouse coverage
\$213.52	First child
\$169.02	Second child

No additional charge for 3 or more dependents

Medicare Advantage Plan

\$395.23	Retiree on Medicare Parts A and B
\$395.23	Spouse on Medicare Parts A and B

LEOFF I Retiree Health Care Plan

Plan Description: The City of Sumner administers a single-employer defined benefit healthcare plan “the LEOFF I Retiree Health Care Plan”. The plan provides lifetime healthcare benefits (medical/dental/vision) for eligible LEOFF I retirees through the City’s group healthcare plans, which cover both active and retired members. Benefit provisions are established through the LEOFF Disability Board representing LEOFF I retirees. The LEOFF I Retiree Health Care Plan does not issue a publicly available financial report.

Funding Policy: The City contributes 100% of the cost of the LEOFF I Retiree Health Care Plan. For fiscal year 2017, the City contributed \$52,221.78 to the plan, covering eight retirees. Plan members do not contribute to the plan. The plan is paid through the General Fund. In addition to premiums, the City pays for out of pocket expenditures directly to the retiree once approved by the LEOFF Board. In 2017, the City paid \$24,115.78 directly to retirees to reimburse out of pocket expenses. These expenditures are paid by the General Fund.

NOTE 10 – OTHER DISCLOSURES**a) Capital commitments**

City of Sumner
Pending Construction Commitments
As of 12/31/2017

Project	Contractor	CIP #	PO #	Amount
<u>Fund 102 - Arterial Streets</u>				
Bridge Street Bridge	SB Structures	13-01	99-001631	7,134,375
				<u>\$ 7,134,375</u>
<u>Fund 401 - Water Utility</u>				
Water Telemetry	Parametrix	17-05	99-001620	\$ 16,944
Bridge Street Bridge	SB Structures	13-01	99-001631	240,458
Main Street Water Main Replacement	BCRA INC	17-24	99-001666	73,139
Spinning Ave Water Main Replacement	BCRA INC	17-21	99-001667	50,828
151st/Riverside Water Main Replacement	BCRA INC	17-23	99-001668	63,399
Water Rights Consultant	Robinson Noble	04-02	99-001581	7,192
Silver/Rainier Water Main Replacement	BCRA INC	17-22	99-001665	92,724
Puyallup Street	Miles Resources	14-11	99-001556	3,725
				<u>\$ 548,408</u>
<u>Fund 402 - Sewer Utility</u>				
Bridge Street Bridge	SB Structures	13-01	99-001631	\$ 10,338
Cherry Ave Pump Station	BHC Consultants	09-01	99-001550	9,115
Parker Rd Pump Station	AKANA	18-05	99-001561	26,161
Cherry Ave Pump Station	Rodarte Construction	09-01	99-001582	46,292
Parker Rd Pump Station	RH2 Engineering	08-15	99-001580	7,289
Biosolids Dewatering	Gray and Osborne	17-18	99-001671	102,824
Mt Circle Pump Station	AKANA	13-18	99-001561	9,052
				<u>\$ 211,069</u>
<u>Fund 408 - Storm Sewer Utility</u>				
Decant Facility	KPG inc	15-02	99-001655	\$ 6,329
Decant Facility	Western Engineering	15-02	99-001659	226,163
E Sumner Neighborhood Phase #3	KPG inc	13-10	99-001572	51,328
E Sumner Neighborhood	KPG inc	13-10	99-001574	124,647
E Sumner Neighborhood Phase #2	Rodarte Construction	13-10	99-001583	1,882,439
White River Restoration	Natural Systems Design	14-10	99-001558	101,902
White River Restoration	Enviroissues	14-10	99-001569	54,523
White River Restoration	KPG inc	14-10	99-001571	76,593
White River Restoration	VanNess Feldman	14-10	99-001588	83,948
White River Restoration	West Consultants	14-10	99-001590	18,317
White River Restoration	Widner & Associates	14-10	99-001592	290,272
Bridge Street Bridge	SB Structures	13-01	99-001631	335,690
				<u>\$ 3,252,149</u>

b) Contingencies and Litigation

In October, 2017, the City of Sumner resolved at mediation a construction delay claim filed in 2016 by the prime contractor of the 136th/Valentine Corridor Improvement project. The project was located 1/3 within the City of Sumner, and 2/3 within the City of Pacific. The contractor's claim alleged damages totaling \$3,733,773, which was ultimately settled for 1.75M - with 1.125M paid from the City of Pacific, and \$625,000 from the City of Sumner. The City is attempting to recoup all or part of that settlement payout from the various utility companies involved in the project. All expenses of the project, less any monies recouped, are anticipated to be rolled into the Local Improvement District on the project. There are no outstanding or unresolved liabilities related to the Contractor's claim.

In December, 2017, the City filed a condemnation action against SKC Corporation to condemn property publicly necessary for the replacement of the Bridge Street Bridge. The City's appraiser is in the process of completing a final determination of value. The City anticipates that this matter will be resolved at mediation. If the parties are unable to reach a negotiated or mediated resolution of the just compensation, this matter is set to proceed to trial in January, 2019.

c) Remediation Activities

In 2017, the City of Sumner entered into an agreement with multiple parties to settle an ongoing MTCA lawsuit, to which the City was not an active litigant. Through the agreement, the City acquired property located at 810 Alder Avenue and has agreed to facilitate the clean-up and remediation of said property. Under the terms of the agreement, a total of \$1,265,000 was deposited by the parties into a City trust account as contribution to be used solely for clean-up and remediation activities. Sumner will administer the remediation trust account. Potential overruns in remediation expenditures, although not anticipated, could result in additional financial liability to the City of Sumner.

d) Bonded Debt Disclosures

In accordance with continuing disclosure requirements associated with the City's 2008 Water/Sewer Revenue Refunding Bonds, the following information is provided:

a. Rates for the System

Current utility rates can be located at <http://sumnerwa.gov/living/utilities/monthly-utility-rates/>.

b. Number of Customers for the System

City of Sumner Utility Customers
As of 12/31/2017

Customer Type	Water	Sewer	Stormwater	Total
Residential	2,729	2,504	2,403	7,636
Commercial	387	336	326	1,049
Industrial	59	22	70	151
Other	697	492	516	1,705
Total	3,872	3,354	3,315	10,541

Source: City of Sumner

c. Debt Service Coverage

City of Sumner Debt Service Coverage Calculation (Years Ended December 31)					
	2017 (Unaudited)	2016 (Audited)	2015 (Audited)	2014 (Audited)	2013 (Audited)
Available for Debt Service					
Operating Revenues					
Water System Charges	3,878,024	3,602,236	3,472,031	3,047,776	2,626,017
Sewer System Charges	6,844,755	6,359,055	5,535,670	5,145,076	4,886,438
Stormwater System Charges	3,059,465	2,710,237	2,479,161	2,028,182	1,833,369
Intergovernmental Revenues	285,762	1,276,015	752,317	383,493	700,722
Capital Contributions - System Development Charges (cash)	2,020,354	3,089,771	3,222,412	3,458,137	4,510,341
Capital Contributions - City of Bonney Lake	610,143	552,042	4,476,972	1,687,377	363,444
Miscellaneous Revenue	710,387	138,029	557,018	460,038	3,765,844
Total Operating Revenues	17,408,890	17,727,385	20,495,581	16,210,079	18,686,175
Operating Expenses					
Water System	2,521,033	1,808,918	1,681,808	1,622,616	1,501,678
Sewer System	4,476,383	3,953,512	3,846,909	3,914,284	3,321,661
Stormwater System	1,964,867	1,840,710	1,728,827	1,528,886	1,347,573
Total Operating Expenses	8,962,283	7,603,140	7,257,544	7,065,786	6,170,912
Net Available for Debt Service	8,446,607	10,124,245	13,238,037	9,144,293	12,515,263
Debt Service	\$ 1,537,015	\$ 1,591,956	\$ 1,389,631	\$ 1,323,806	\$ 1,215,428
Debt Service Coverage	5.50	6.36	9.53	6.91	10.30

**City of Sumner
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2008 LTGO Refunding Bonds	12/31/2019	885,000	-	575,000	310,000
263.61	2014 BAN: 136th/Valentine Corridor	12/1/2017	4,700,000	-	4,700,000	-
263.61	BAN: 136th/Valentine Corridor	6/1/2019	-	4,700,000	-	4,700,000
Total General Obligation Debt/Liabilities:			5,585,000	4,700,000	5,275,000	5,010,000
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - Governmental	12/31/2017	551,803	13,130	-	564,933
252.11	2008 Water/Sewer Refunding Bond	12/31/2018	257,785	-	125,345	132,440
252.11	2008 Water/Sewer Refunding Bond	12/31/2018	832,215	-	404,655	427,560
259.12	Compensated Absences - Proprietary	12/31/2017	325,405	-	5,308	320,097
263.88	PWTF 00-691-054	12/31/2020	754,553	-	188,638	565,915
263.88	PWTF 02-691-054	12/31/2022	1,559,580	-	259,930	1,299,650
263.88	PWTF 04-691-067	12/31/2024	890,467	-	111,308	779,159
263.88	PWTF PC12-951-050	12/31/2031	4,159,465	-	277,298	3,882,167
263.84	Dept of Ecology SRF	12/31/2034	2,549,419	2,550,855	-	5,100,274
263.84	Dept of Commerce: DWSRF	12/31/2037	5,244,785	576,350	291,057	5,530,078
264.30	Net Pension Liability		6,315,642	-	1,182,250	5,133,392
264.30	Net Pension Liability - Fire Relief		651,000	-	-	651,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			24,092,119	3,140,335	2,845,789	24,386,665
Assessment Debt/Liabilities (with commitments)						
253.11	ULID #67	12/31/2017	525,000	-	525,000	-
253.11	ULID #2007-1	11/1/2028	1,069,153	-	89,096	980,057
253.11	LID #70	12/31/2022	4,260,000	-	2,720,000	1,540,000
Total Assessment Debt/Liabilities (with commitments):			5,854,153	-	3,334,096	2,520,057
Total Liabilities:			35,531,272	7,840,335	11,454,885	31,916,722

City of Sumner
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Violence Against Women Office, Department Of Justice (via Pierce County)	Violence Against Women Formula Grants	16.588	n/a	1,852	-	1,852	-	
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	n/a	-	2,291	2,291	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA-8211	3,055,454	-	3,055,454	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA-8230	50,133	-	50,133	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA-9067	15,315	-	15,315	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA-8231	9,299	-	9,299	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA-8487	2,274	-	2,274	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA-8591	6,106	-	6,106	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA-9039	48,791	-	48,791	-	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	LA-9179	1,945	-	1,945	-	

The accompanying notes are an integral part of this schedule.

City of Sumner
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Highway Safety Cluster	Total Highway Planning and Construction Cluster:			3,189,317	-	3,189,317	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WASPC)	State and Community Highway Safety	20.600	n/a	3,340	-	3,340	3
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WATSC)	State and Community Highway Safety	20.600	n/a	1,200	-	1,200	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WATSC)	State and Community Highway Safety	20.600	n/a	871	-	871	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Impaired Driving Council)	State and Community Highway Safety	20.600	K12740	43,376	-	43,376	26,086
	Total CFDA 20.600:			48,787	-	48,787	26,086
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WATSC)	National Priority Safety Programs	20.616	n/a	7,375	-	7,375	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WATSC)	National Priority Safety Programs	20.616	n/a	5,541	-	5,541	-
	Total CFDA 20.616:			12,916	-	12,916	-
	Total Highway Safety Cluster:			61,703	-	61,703	26,086

The accompanying notes are an integral part of this schedule.

City of Sumner
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

				Expenditures				Passed through to Subrecipients	Note
				CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards		
Federal Agency (Pass-Through Agency)	Federal Program								
Substance Abuse And Mental Health Services Administration, Department Of Health And Human Services (via Sumner School District)	Drug-Free Communities Support Program Grants			93.276	n/a	1,800	-	1,800	-
Total Federal Awards Expended:						3,254,672	2,291	3,256,963	26,086

The accompanying notes are an integral part of this schedule.

City of Sumner, Washington**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017****NOTE 1 – BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the City of Sumner's financial statements. The City of Sumner uses the cash basis of accounting for all funds.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – EQUIPMENT

The amounts shown as current expenditures represent the acquisition of equipment.

NOTE 4 – INDIRECT COST RATE

The City of Sumner has elected to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance; however, the amount expended includes \$0 claimed as an indirect cost recovery.

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