



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

**Financial Statements Audit Report**  
**City of Sunnyside**

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

**Published October 18, 2018**

**Report No. 1022361**





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

October 18, 2018

Mayor and City Council  
City of Sunnyside  
Sunnyside, Washington

**Report on Financial Statements**

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

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Sunnyside January 1, 2017 through December 31, 2017

#### **2017-001 The City's financial position places it at risk of not meeting its financial obligations or providing services at current levels.**

##### ***Background***

An elected, seven-member Council governs the City. The Council elects one of its members to serve as Mayor for a two-year period. The Council appoints management to oversee the City's daily operations. The City serves about 16,000 citizens and operates on a \$26 million annual budget.

##### ***Description of Condition***

Over the past three years, the City has had a declining financial condition and has not established a formalized plan to improve this condition. The City continued to report a decrease in ending cash and investments for its current expense fund, as shown in the table below:

<b>For year ending December 31</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Ending cash & investments – Current expense	\$945,932	\$662,942	\$356,090	\$52,639

In addition, the City did not ensure that funds had available cash and investments to cover expenses. As a result, the City reported negative cash and investment balances on December 31, 2017, in five funds, totaling \$336,771 as noted below:

<b>Fund</b>	<b>Negative ending cash and investments on December 31, 2017</b>
Street	(\$139,740)
General Obligation Bonds	(\$34,155)
Garbage	(\$33,031)
Ambulance/EMS	(\$124,848)
Stormwater	(\$4,937)
<b>Total</b>	<b>(\$336,771)</b>

When expenditures in a fund exceed the amount of available resources, the City is effectively borrowing from other funds to continue operations without formally establishing an interfund loan. The Council must approve interfund loans by resolution or ordinance that includes a payment plan and sets a reasonable rate of interest to be paid to the lending fund. Without an interfund loan in place, the City risks using restricted resources for an unallowable purpose.

Also, the City did not ensure that expenditures were paid within the approved budget. The City overspent approved budgets for six of its funds in 2017, by a total of \$3,832,924. This is detailed below:

<b>Fund</b>	<b>Over Budget</b>
Public Safety Tax	(\$24,257)
General Obligation Bonds*	(\$1,884,405)
Water*	(\$315,365)
Sewer*	(\$1,426,444)
Garbage	(\$95,877)
Information Technology	(\$86,576)
<b>Total</b>	<b>\$3,832,924</b>

*\*The general obligation bond, water and sewer funds were overbudget because the City Council refinanced bonds without amending the budget.*

### ***Cause of Condition***

The City has taken steps over the past several months to improve financial condition by limiting spending. However, management has not effectively monitored activities to ensure funds have the available resources and approved budget to cover expenditures before payment. Further, the City has not developed a formal plan to improve its financial condition.

### ***Effect of Condition***

The City risks not being able to meet future financial obligations or continue operations at current service levels.

### ***Recommendation***

We recommend the City's elected officials and management establish a formal, written comprehensive plan to address the City's financial condition and closely monitor financial operations to ensure it is able to meet its financial obligations. In addition, the City should establish interfund loans that include appropriate interest rates and repayment plans as required.

### ***City's Response***

*The City of Sunnyside is committed to comply with applicable laws and regulations set for by the State Auditor's Office. We appreciate the opportunity to reply and demonstrate our efforts to implement procedural changes that ensure current and future compliance.*

*The City acknowledges the concerns outline in the year's finding regarding our financial condition, specifically regarding the ability to meet our financial*

*obligations. City Staff met with City Councilmembers on August 4, 2018 to discuss and relay the financial condition. City Staff offered alternatives which include increasing revenues and decreasing expenditures. As of this writing, the City Staff and City Council have reviewed a five-year history of revenues for all funds. Staff has recommended increases to City Utility Taxes, implementation of a Transportation Benefit District, changes to the payment of garbage billing, increased fees for both the Stormwater and Ambulance/EMS funds. The recommendations will allow for the funds to meet present obligation. A five-year review of expenditures is planned for October 16, 2018. City Staff will bring a formal plan forward for consideration with the formal adoption of the 2019 Budget which is required by law to be finalized by December 31, 2018.*

### ***Auditor's Remarks***

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

### ***Applicable Laws and Regulations***

Revised Code of Washington (RCW) 35A.33.120

Budgeting Accounting and Reporting Systems Manual – Chapter 2: Budgeting

Budgeting Accounting and Reporting Systems – Chapter 3: Internal Controls

Budgeting Accounting and Reporting Systems – Chapter 3.9.1: Interfund Loans

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

Mayor and City Council  
City of Sunnyside  
Sunnyside, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Sunnyside, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 10, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001.

## **CITY'S RESPONSE TO FINDINGS**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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

October 10, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Sunnyside January 1, 2017 through December 31, 2017

Mayor and City Council  
City of Sunnyside  
Sunnyside, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sunnyside, for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 13.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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

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

### **Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the City of Sunnyside has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

October 10, 2018

## **FINANCIAL SECTION**

### **City of Sunnyside 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

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 GENERAL FUND</b>	<b>101 STREET FUND</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	2,862,055	16,757	(27,899)
30880	Unreserved	4,459,825	339,334	-
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	9,851,649	7,823,066	-
320	Licenses and Permits	341,356	340,017	1,338
330	Intergovernmental Revenues	1,372,219	675,564	427,943
340	Charges for Goods and Services	9,518,875	1,860,988	6,375
350	Fines and Penalties	229,103	216,547	-
360	Miscellaneous Revenues	140,689	37,737	5,098
Total Revenues:		21,453,892	10,953,919	440,755
<b>Expenditures</b>				
510	General Government	1,924,595	1,703,587	-
520	Public Safety	8,798,991	6,988,289	-
530	Utilities	4,627,893	-	-
540	Transportation	2,029,905	420,938	1,369,350
550	Natural and Economic Environment	444,606	288,741	-
560	Social Services	25,999	25,999	-
570	Culture and Recreation	749,111	749,111	-
Total Expenditures:		18,601,101	10,176,665	1,369,350
Excess (Deficiency) Revenues over Expenditures:		2,852,792	777,254	(928,596)
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	5,109,326	958,949	-
397	Transfers-In	1,161,820	-	925,000
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	21,880	14,280	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		6,293,027	973,230	925,000
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	3,584,059	917,965	108,221
591-593, 599	Debt Service	6,159,456	98,463	25
597	Transfers-Out	1,161,820	1,036,820	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	44,933	687	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		10,950,268	2,053,935	108,246
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(1,804,450)</b>	<b>(303,451)</b>	<b>(111,842)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	1,033,191	-	(139,740)
5088000	Unreserved	4,429,086	52,639	-
<b>Total Ending Cash and Investments</b>		<b>5,462,277</b>	<b>52,639</b>	<b>(139,740)</b>

*The accompanying notes are an integral part of this statement.*

<b>120 INVESTIGATIVE FUND</b>	<b>CRIME PREVENTION FUND</b>	<b>140 PUBLIC SAFETY TAX FUND</b>	<b>160 TOURISM EXPANSION FUND</b>	<b>201 GENERAL OBLIGATION BONDS FUND</b>	<b>DEVELOPMENT BLOCK GRANT FUND</b>
-	-	7,461	167,609	-	71,992
53,227	146,162	201,967	-	-	-
-	-	-	-	-	-
-	-	431,794	122,485	428,675	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	12,556	-	-	-	-
1,210	1,891	976	1,085	-	3,721
<u>1,210</u>	<u>14,447</u>	<u>432,770</u>	<u>123,570</u>	<u>428,675</u>	<u>3,721</u>
-	-	-	-	-	-
19,510	17,499	330,676	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	38,988	116,877	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>19,510</u>	<u>17,499</u>	<u>369,664</u>	<u>116,877</u>	<u>-</u>	<u>-</u>
<u>(18,300)</u>	<u>(3,052)</u>	<u>63,106</u>	<u>6,694</u>	<u>428,675</u>	<u>3,721</u>
-	-	35,000	-	1,822,423	-
-	-	-	-	236,820	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>2,059,243</u>	<u>-</u>
-	-	35,000	-	-	-
-	-	815	-	2,481,027	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	41,046	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>35,815</u>	<u>-</u>	<u>2,522,074</u>	<u>-</u>
<b>(18,300)</b>	<b>(3,052)</b>	<b>62,291</b>	<b>6,694</b>	<b>20,999</b>	<b>3,721</b>
34,927	143,111	271,720	174,303	(34,155)	75,712
-	-	-	-	-	-
<b>34,927</b>	<b>143,111</b>	<b>271,720</b>	<b>174,303</b>	<b>(34,155)</b>	<b>75,712</b>

<b>CAPITAL IMPROVEMENTS (REET 1) FUND</b>	<b>CAPITAL IMPROVEMENT (REET 2) FUND</b>	<b>322 FIRE EQUIPMENT RESERVE FUND</b>	<b>410 WATER FUND</b>	<b>420 SEWER FUND</b>	<b>430 GARBAGE FUND</b>
303,053	231,655	48,663	1,098,454	996,851	-
-	-	-	1,386,438	2,311,735	22,553
-	-	-	-	-	-
64,894	64,894	-	-	-	41,061
-	-	-	-	-	-
-	-	-	-	19,294	-
-	-	-	2,449,500	2,904,713	1,238,532
-	-	-	-	-	-
2,429	1,167	259	20,589	13,001	1
<u>67,323</u>	<u>66,061</u>	<u>259</u>	<u>2,470,089</u>	<u>2,937,008</u>	<u>1,279,594</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,751,344	1,426,639	1,335,177
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,751,344</u>	<u>1,426,639</u>	<u>1,335,177</u>
<u>67,323</u>	<u>66,061</u>	<u>259</u>	<u>718,745</u>	<u>1,510,369</u>	<u>(55,583)</u>
-	-	-	1,015,500	1,015,500	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,600	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,023,100</u>	<u>1,015,500</u>	<u>-</u>
42,902	61,818	-	165,797	1,756,393	-
-	-	-	1,607,249	1,969,273	-
125,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,200	-	-
-	-	-	-	-	-
<u>167,902</u>	<u>61,818</u>	<u>-</u>	<u>1,776,246</u>	<u>3,725,666</u>	<u>-</u>
<b>(100,579)</b>	<b>4,243</b>	<b>259</b>	<b>(34,401)</b>	<b>(1,199,797)</b>	<b>(55,583)</b>
202,474	235,898	48,922	92,699	52,169	-
-	-	-	2,357,793	2,056,621	(33,031)
<u>202,474</u>	<u>235,898</u>	<u>48,922</u>	<u>2,450,492</u>	<u>2,108,790</u>	<u>(33,031)</u>

<b>440 AMBULANCE/EM S FUND</b>	<b>450 STORMWATER FUND</b>	<b>501 EQUIPMENT RENTAL FUND</b>	<b>INFORMATION TECHNOLOGY FUND</b>
(52,540)	-	-	-
-	(1,591)	-	-
-	-	-	-
874,780	-	-	-
-	-	-	-
1,270	248,149	-	-
445,508	152,919	239,630	220,710
-	-	-	-
51,464	61	-	-
<u>1,373,022</u>	<u>401,128</u>	<u>239,630</u>	<u>220,710</u>
-	-	-	221,008
1,443,018	-	-	-
-	114,733	-	-
-	-	239,617	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,443,018</u>	<u>114,733</u>	<u>239,617</u>	<u>221,008</u>
(69,996)	286,396	13	(298)
136,685	-	-	70,116
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>136,685</u>	<u>-</u>	<u>-</u>	<u>70,116</u>
136,405	289,741	-	69,817
2,592	-	13	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>138,996</u>	<u>289,741</u>	<u>13</u>	<u>69,817</u>
<b>(72,308)</b>	<b>(3,345)</b>	<b>(0)</b>	<b>1</b>
(124,848)	-	-	-
-	(4,937)	-	-
<u><b>(124,848)</b></u>	<u><b>(4,937)</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

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

		<b>Total for All Funds (Memo Only)</b>	<b>Investment Trust</b>	<b>Pension Trust</b>	<b>Private-Purpose Trust</b>
308	Beginning Cash and Investments	441,967	124,493	312,980	4,494
388 & 588	Prior Period Adjustment, Net	-	-	-	-
310-390	Additions	1,007,919	987,928	19,991	0
510-590	Deductions	1,045,914	1,034,906	11,008	-
	Net Increase (Decrease) in Cash and Investments:	(37,995)	(46,978)	8,983	-
508	Ending Cash and Investments	403,971	77,515	321,963	4,494

*The accompanying notes are an integral part of this statement.*

## Notes to the Financial Statements

### For the year ended December 31, 2017

#### **Note 1 - Summary of Significant Accounting Policies**

The City of Sunnyside was incorporated on September 16, 1902 and operates under the laws of the state of Washington applicable to a City. The City is a general purpose local government and provides public safety (Police, Fire and Jail), Municipal Court, public improvements (streets, traffic signals), sanitation (solid waste disposal, sanitary sewer facility), water utility, Stormwater utility, ambulance/ems utility, community development, parks and recreation.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

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

#### **A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

#### **GOVERNMENTAL FUND TYPES:**

##### **General Fund**

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

##### **Special Revenue Funds**

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

##### **Debt Service Funds**

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

##### **Capital Projects Funds**

These funds account for financial resources which are restricted, committed, or assigned for the

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

acquisition or construction of capital facilities or other capital assets.

**PROPRIETARY FUND TYPES:**

Enterprise Funds

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

Internal Service Funds

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

**FIDUCIARY FUND TYPES:**

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

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law, the City also recognizes expenditures paid up to twenty (20) days after the close of the fiscal year for claims incurred during the previous period.

**C. Budgets**

The City adopts annual appropriated budgets for all funds except for fiduciary funds which are not budgeted. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

Fund/Department	Final Appropriated Amounts	Actual Expenses	Variance
001 - GENERAL FUND	14,943,255	12,230,600	2,712,655
101 - STREET FUND	3,102,406	1,477,595	1,624,811
120 - INVESTIGATIVE FUND	20,000	19,510	490
130 - POLICE DEPT CRIME PREVENTION FUND	38,000	17,499	20,501
140 - PUBLIC SAFETY TAX FUND	381,222	405,479	(24,257)
160 - TOURISM EXPANSION FUND	135,100	116,877	18,224
201 - GENERAL OBLIGATION BONDS FUND	665,245	2,549,650	(1,884,405)
303 - COMMUNITY DEVELOPMENT BLOCK GRANT FUND	78,200		78,200
304 - LOCAL CAPITAL IMPROVEMENTS (REET 1) FUND	181,000	167,902	13,098
305 - LOCAL CAPITAL IMPROVEMENT (REET 2) FUND	90,000	61,818	28,182
322 - FIRE EQUIPMENT RESERVE FUND	20,000		20,000
323 - 2011 FIRE STATION PROJECT FUND	28,548		28,548
410 - WATER FUND	3,212,225	3,527,590	(315,365)
420 - SEWER FUND	3,725,861	5,152,305	(1,426,444)
430 - GARBAGE FUND	1,239,300	1,335,177	(95,877)
440 - AMBULANCE/EMS FUND	1,626,979	1,582,014	44,965
450 - STORMWATER FUND	1,137,167	404,474	732,693
501 - EQUIPMENT RENTAL FUND	249,765	239,630	10,135
504 - INFORMATION TECHNOLOGY FUND	204,250	290,826	(86,576)
601 - JAIL TRUST FUND		122,623	(122,623)
602 - SUNNYSIDE COURT TRUST FUND	280,000	912,284	(632,284)
611 - FIREMAN'S RELIEF & PENSION FUND	8,000	11,008	(3,008)

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

Fund 201 – General Obligation Bonds Fund shows a variance of \$1,884,405 which is due to refinancing 2007 LTGO Bonds on 06/29/2017.

Fund 410 – Water Fund show a variance of (\$315,365) which is due to change in accounting for the 2007 W/S Revenue Bonds. The 2007 W/S Revenue Bonds were refinanced on 06/29/2017. In order to comply with the Bond Covenant, a separate set of accounts was created in order to separate the Water portion from the Sewer Portion. In prior years, the entire balance of the 2007 W/S Revenue Bonds (Fund 415) was rolled to the Sewer Fund (420).

Fund 411 – Water Bond Reserve Fund (newly created) to account for the purpose of securing the payment of the principal and interest on all parity bonds that is equal to the reserve requirement. This fund is rolled to the 410 Fund for reporting purposes.

Fund 415 – Water Revenue Bond Fund (renamed from Water/Sewer Revenue Bond Fund) to account for only Water Fund portion of debt service. This fund is rolled to the 410 Fund for reporting purposes.

Fund 416 – Water Capital Projects Fund (renamed from W/S Capital Projects Fund). To account for Water Capital Projects independently from Sewer Capital Projects.

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

Fund 420 – Sewer Fund shows a variance of \$1,426,444 which is due to the change in accounting for the 2007 W/S Revenue Bonds as show above in the Water Fund description.

Fund 421 – Sewer Bond Reserve Fund (newly created) to account for the purpose of securing the payment of the principal and interest on all parity bonds that is equal to the reserve requirement. This fund is rolled to the 420 Fund for reporting purposes.

Fund 425 – Sewer Revenue Bond Fund (newly created) to account for only Sewer Fund portion of debt service. This fund is rolled to the 420 Fund for reporting purposes.

Fund 426 – Sewer Capital Projects Fund (newly created). To account for Sewer Capital Projects independently from Water Capital Projects.

**D. Cash and Investments**

See Note 3, *Deposits and Investments*.

**E. Capital Assets**

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

**F. Compensated Absences**

Vacation leave may be accumulated up to 240 hours for all Union employees excluding Police Support and Fire can accrue up to 360 hours and payable upon separation or retirement. Sick leave may be accumulated indefinitely excluding Firefighters which can cash out balances exceeding 1040 hours annually at 25%. Upon separation or retirement employees do receive payment for unused sick leave at 25% if employed ten or more years. Payments are recognized as expenditures when paid. The total dollar amount for all unpaid leave as of 12/31/2017 is \$840,087.56.

**G. Long-Term Debt**

See Note 4, *Debt Service Requirements*.

**H. Risk Management**

The City of Sunnyside is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 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 [1]. Coverage includes

## **Notes to the Financial Statements**

### **For the year ended December 31, 2017**

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.

*[1] The liability program assumes no liability deductibles apply to any coverage. Claims deductible levels of \$25,000, \$50,000, \$100,000, \$250,000, \$500,000 and \$1,000,000 are potential coverage options for members that may at the sole discretion of WCIA, be extended to members.*

#### **I. Reserved Portion of Ending Cash and Investments**

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

Reservations of Ending Cash and Investments consist of debt service payments for 2017, restrictions due to outside restrictions and matching requirements due to grant awards for 2017.

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

Fund Name	Amount Reserved	Reason for Restriction
101 - Street Fund	(\$139,740)	Local Match
120 - Investigative Fund	\$34,927	Restricted use, Ordinance 2009-14
130 - PD Crime Prevention	\$143,111	Restricted use, Ordinance 1559
140 - Public Safety Tax Fund	\$271,720	Restricted use, External, Ordinance 2095
160 - Toursim Expansion Fund	\$174,303	Restricted use per RCW
201 - GO Bonds Fund	(\$34,155)	Debt Service
303 - Community Development	\$75,712	Restricted use, CDBG Funds
304 - Local Capital Improvement	\$202,474	Restricted use per RCW
305 - Local Capital Improvement	\$235,898	Restricted use per RCW
322 - Fire Equipment Reserve	\$48,922	Restricted use per Bond Covenant
410 - Water Fund	\$92,699	Debt Service Payment
420 - Sewer Fund	\$52,169	Debt Service Payment
440 - Ambulance Fund	(\$124,848)	Debt Service for Fire Station

**Note 2 - Property Tax**

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

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

The City's regular levy for the year 2017 was 2.86866222 per \$1,000 on an assessed valuation of \$740,511,015 for a total regular levy of \$2,124,275.97. In 2017, the City of Sunnyside had a voter-approved excess levy of \$0.58238254 per \$1,000 on excess value of \$736,071,179 for payment of General Obligation Bonds for a total additional levy of \$428,675.

**Note 3 – Deposits and Investments**

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

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

Investments are reported at fair value. Investments by type at December 31, 2017 are as follows:

Type of Investment	The City's own investments	Investments held by the City as an agent for other local governments, individuals, or private organizations.	Total
Local Government Investment Pool (LGIP)	4,283,511	0	4,283,511
<i>Total</i>	\$ 4,283,511	\$	\$ 4,283,511

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

**Note 4 – Debt Service Requirements**

**Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City debt transactions for year ended December 31, 2017.

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

<b>Principal &amp; Interest Schedule by Year</b>				
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2018	1,293,341.72	340,894.72	1,634,236.44	
2019	1,273,944.37	315,471.43	1,589,415.80	
2020	1,313,088.24	350,585.31	1,663,673.55	
2021	1,377,655.69	286,641.34	1,664,297.03	
2022	1,403,818.85	256,868.46	1,660,687.31	
2023-2027	6,538,286.75	857,295.81	7,395,582.56	
2028-2032	1,927,407.20	210,033.35	2,137,440.55	
<b>Total</b>	<b>15,127,542.82</b>	<b>2,617,790.42</b>	<b>17,745,333.24</b>	

**General Obligation Debt**

**2007 LTGO Bonds - refinanced**

In 2007, the City of Sunnyside issued \$2,760,000 in Limited Tax General Obligation (LTGO) Bonds for the purpose of providing financing for the cost of land acquisition. These bonds were issued by a vote of the City Council for the purpose of financing the Monson Ranches Feedlot land purchase; since renamed West Sunnyside Business Park. These bonds called and refinanced with a private placement taxable bonds (2017 LTGO Refunding Bonds).

**2012 UTGO Bonds**

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

**2017 LTGO Refunding Bonds (Taxable)**

In order to reduce interest costs, the 2007 LTGO Bonds were refinanced.

**Lease Purchase Agreements**

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

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

In 2017, the City of Sunnyside entered into a lease-purchase agreement with US Bank for the purpose of purchasing two police vehicles, one fire command vehicle, portable radios for the police department, one jail

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

transport van, computer network upgrades and Zoll heart monitors for ambulances.

Supporting Investments in Economic Development (SIED)

In 2012, the City of Sunnyside secured a \$25,000 Supporting Investment in Economic Development loan from Yakima County to augment an FAA grant to install an Air Weather Observation System (AWOS) III system for the airport. The City will pay principal and interest on this loan over a five year term.

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

Revenue Debt

2007 Water/Sewer Revenue Bonds - refinanced

In 2007, the City of Sunnyside issued \$2,285,000 in Water/Sewer Revenue Bonds for the purpose of financing capital improvements to the water and sewer systems. These bonds called and refinanced with a private placement bonds (2017 Water/Sewer Revenue Bonds).

2017 Water/Sewer Revenue Bonds

In order to reduce interest costs, the 2007 Water/Sewer Revenue Bonds were refinanced.

State Revolving Fund Loans

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

In 2006, the City of Sunnyside secured a \$12,376,640 State Revolving Fund loan from the State of Washington to finance the 2005-2007 Wastewater Treatment Plant rehabilitation.

**Note 5 – Pension Plans**

A. State Sponsored Pension Plans

Substantially all the City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans LEOFF, PERS, and PSERS.

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

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The City also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2017 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

Plan Type	Employer Contribution	Plan Liability / Asset	Responsibility Percentage	NPL	NPA
PERS 1	5,839.51	4,745,078,000	0.00097100%	46,075	
PERS 1 UAAL	153,893.86	4,745,078,000	0.02558400%	1,213,981	
PERS 2/3	197,354.72	3,474,522,000	0.03231100%	1,122,653	
PSERS 2	3,724.39	19,593,000	0.01596200%	3,127	
LEOFF 1		(1,517,220,000)	0.02094000%		(317,706)
LEOFF 2	180,724.68	(1,387,676,000)	0.11440200%		(1,587,529)
VFFRPF - Fire	300.00	(37,100,000)	0.14000000%		(52,004)
VFFRPF - Police	60.00	\$ (37,100,000)	0.030000%		\$ (10,401)
				\$ 2,385,836	\$ (1,967,640)

#### LEOFF Plan 1

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

#### LEOFF Plan 2

The City also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

#### B. Local Government Pension Plans

The City of Sunnyside is the administrator of a pension retirement system called the Firemen's Relief and Pension Fund. The system is shown as a trust fund in the financial statements of the City (Fund 611). As of December 31, 2016, there were a total of three individuals covered by this system of w The most recent actuarial review of the system was done by Randall & Hurley, Inc. to determine the funding requirements as of December 31, 2005. As of that date, the market value of assets was \$336,053 and the actuarial present value of future benefits was \$356,956 leaving an unfunded pension benefit obligation of \$20,903. However, it was determined that a contribution rate of \$9,500 per year

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

would be sufficient to fund the plan. The City of Sunnyside has maintained the funding policy of contributing 100% of the City of Sunnyside's share of the State tax on fire insurance premiums to the Firemen's Relief and Pension Fund. In 2016, this contribution totaled \$15,313.84. The City's payments to covered employees or beneficiaries for the year ended December 31, 2016 were \$1,970.47.

**Plan Description**

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

When the Law Enforcement Officers' and Firefighters (LEOFF) pension system was initiated, the State of Washington assumed the major portion of the obligation to provide future retirement benefits for members still in active service at the LEOFF inception date (March 1, 1970). The City of Sunnyside retains the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In addition, the City of Sunnyside retains the responsibility for a portion of the benefits payable to members who were active on that date.

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

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

**Funding Policy**

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

**Note 6 - Other Disclosures**

**A. COMBINED FUNDS**

The Payroll Liability Fund (099) and the Contingency Fund (115) are rolled in to the General Fund. The Payroll Liability Fund was established as a result of the change from the double-entry accrual accounting used in the Eden Software system to the cash basis used with BIAS software. The Contingency Fund was designated as a special revenue fund for managerial purposes but it was originally sourced from the General Fund and is therefore rolled into that fund.

For revenue bond reserves and redemption, and revenue bond-funded capital projects, the City of

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

Sunnyside established the Water/Sewer Revenue Bond and the Water/Sewer Capital Projects Funds (415 and 416, respectively). The bond-funded capital project is multi-year project that began in 2008 and continued into 2012. The 2007 W/S Revenue Bonds were refinanced on 06/29/2017. In order to comply with the Bond Covenant, a separate set of accounts was created in order to separate the Water portion from the Sewer Portion. In prior years, the entire balance of the 2007 W/S Revenue Bonds (Fund 415) was rolled to the Sewer Fund (420).

Fund 411 – Water Bond Reserve Fund (newly created) to account for the purpose of securing the payment of the principal and interest on all parity bonds that is equal to the reserve requirement. This fund is rolled to the 410 Fund for reporting purposes. This fund is rolled to the 410 Fund for reporting purposes.

Fund 415 – Water Revenue Bond Fund (renamed from Water/Sewer Revenue Bond Fund) to account for only Water Fund portion of debt service. This fund is rolled to the 410 Fund for reporting purposes.

Fund 416 – Water Capital Projects Fund (renamed from W/S Capital Projects Fund). To account for Water Capital Projects independently from Sewer Capital Projects. This fund is rolled to the 410 Fund for reporting purposes.

Fund 421 – Sewer Bond Reserve Fund (newly created) to account for the purpose of securing the payment of the principal and interest on all parity bonds that is equal to the reserve requirement. This fund is rolled to the 420 Fund for reporting purposes.

Fund 425 – Sewer Revenue Bond Fund (newly created) to account for only Sewer Fund portion of debt service. This fund is rolled to the 420 Fund for reporting purposes.

Fund 426 – Sewer Capital Projects Fund (newly created). To account for Sewer Capital Projects independently from Water Capital Projects. This fund is rolled to the 420 Fund for reporting purposes

**B. LEGAL COMPLIANCE DISCLOSURES**

The 2017 Financial Statements show funds 101 Street, 201 GO Bond Fund, 430 Garbage Fund, 440 Ambulance/EMS and 450 Stormwater with a negative ending fund balance. Due to the late reconciliation of the ending balances of these funds, they were identified as negative after the end of the fiscal year and were not eligible for a correcting entry.

**C. INTERLOCAL AGREEMENTS**

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

- a. City of Grandview for animal control services contract with the Yakima Humane Society
- b. City's of Zillah, Toppenish, Walla Walla, Mt. Lake Terrace, Grandview, Granger, Fife, Lynnwood, Yakima, Zillah, Othello, Mabton, Orting and Briar; County of Kittitas; US Department of Justice; State of Washington Department of Corrections for housing prisoners
- c. Yakima County Fire District, Hanford, Prosser Fire District, and the Washington State Patrol for mutual aid
- d. City of Prosser, City of Grandview and City of Mabton for use of equipment and/or staff

**Notes to the Financial Statements**  
**For the year ended December 31, 2017**

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

**D. PENDING AND THREATENED LITIGATION**

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

There are no pending and threatened litigation at the time of the preparation of the financial statements for 2017.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	2007 LTGO BOND	6/29/2017	1,955,000	-	1,955,000	-
251.11	2017 LTGO Refunding Bonds (Taxible)	12/1/2027	-	1,850,000	15,000	1,835,000
251.11	2012 (A) LTGO BOND	12/1/2031	4,925,000	-	205,000	4,720,000
263.51	US BANK #6, SWITCHES	4/21/2018	22,848	-	17,069	5,779
263.51	US BANK #7 PD VEHICLES, 2015	10/5/2018	61,204	-	33,057	28,147
263.51	US BANK #8 PD VEHICLES, 2016	9/28/2019	90,256	-	32,106	58,150
263.51	US BANK #9 EQUIPMENT/SANS, 2017	11/25/2022	-	450,750	6,929	443,821
263.81	SIED #4, AIRPORT	6/1/2018	10,589	-	5,230	5,359
263.81	SIED #5, HOSPITAL	6/1/2029	-	750,000	-	750,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>7,064,897</b>	<b>3,050,750</b>	<b>2,269,391</b>	<b>7,846,256</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	COMPENSATED ABSENCES		992,609	-	152,521	840,088
252.11	2005 WATER/SEWER REVENUE REFINANCE	8/1/2017	235,000	-	235,000	-
252.11	2007 WATER/SEWER REVENUE	6/29/2017	2,285,000	-	2,285,000	-
252.11	2017 WATER/SEWER REVENUE REFINANCE	12/1/2027	-	2,026,000	-	2,026,000
263.82	DWSRF LOAN	10/1/2025	2,348,515	-	260,946	2,087,569
263.82	ECOLOGY LOAN	4/16/2027	6,664,346	-	634,699	6,029,647
264.30	PENSION LIABILITIES - DPT OF RETIREMENT		3,030,278	-	644,442	2,385,836
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>15,555,748</b>	<b>2,026,000</b>	<b>4,212,608</b>	<b>13,369,140</b>
<b>Total Liabilities:</b>			<b>22,620,645</b>	<b>5,076,750</b>	<b>6,481,999</b>	<b>21,215,396</b>

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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