



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements and Federal Single Audit Report**

### **City of Sumner**

**Pierce County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 25, 2014**

**Report No. 1012684**





**Washington State Auditor**  
**Troy Kelley**

September 25, 2014

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,

TROY KELLEY  
STATE AUDITOR

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Pierce County  
January 1, 2013 through December 31, 2013**

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# Federal Summary

## City of Sumner Pierce County January 1, 2013 through December 31, 2013

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

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

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

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

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

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

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

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

***Identification of Major Programs:***

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

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

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

The City qualified as a low-risk auditee under OMB Circular A-133.

# **Schedule of Audit Findings and Responses**

## **City of Sumner Pierce County January 1, 2013 through December 31, 2013**

### **1. The City needs to strengthen internal controls over the preparation of the Schedule of Expenditures of Federal Awards to ensure accurate financial reporting.**

#### **Background**

It is the responsibility of City management to design, implement, and maintain internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of those statements. Our audit identified a significant deficiency in internal controls over financial reporting that could affect the City's ability to produce reliable financial statements and reports.

Local governments that receive federal funds are required to prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of their annual financial report. Additionally, U.S. Office of Management and Budget Circular A-133 requires grantees that spend \$500,000 or more in federal funds each year to submit a complete and accurate SEFA.

#### **Description of Condition**

We identified the following deficiencies in internal controls over financial reporting, when taken together, represent a significant deficiency:

- The City's finance department relies on supporting documentation and information from other City departments; it lacks adequate procedures to ensure the information received from the departments is accurate and based on federal expenditures.

#### **Cause of Condition**

City management's review of the SEFA preparation process and schedule was not sufficiently detailed to ensure accuracy. As a result, the review was not effective in identifying reporting errors.

## **Effect of Condition**

Inaccurate financial reports limit access to financial information used by City officials, the public, state and federal agencies and other governments and interested parties. Inaccurate financial reports also can delay the audit process and increase audit costs.

The City originally reported it expended \$1,021,567 in federal grant funds in fiscal year 2013. Our audit noted:

- The City included expenditures which were not federal expenditures in the amount of \$131,521 on the initial SEFA.
- After the first update of the SEFA we found one program included non-federal expenditures in the amount of \$101,188.
- The change in expenditures reported for one program changed the program required for audit after initial planning had been completed for the first program. The initial SEFA included \$405,739 in expenditures for the Hazard Mitigation Grant Program, CFDA 97.039, that should not have been reported. It did not include \$208,042 in expenditures for the Highway Planning and Construction Grant Program, CFDA 20.205, that should have been reported. As a result of this misstatement, total program expenditures increased and created a new major program that was required to be audited.

The City subsequently corrected the misstatements.

Inaccurate reporting of federal expenditures can affect the amount of audit coverage required and delay an audit beyond the required nine-month reporting period. Should omissions or other errors be made and not identified in a timely manner, the City could miss its federal reporting deadline, jeopardize future federal funding.

## **Recommendation**

We recommend the City dedicate sufficient time and resources to strengthen:

- Procedures to ensure the information received from the departments is accurate and based on federal expenditures.
- Adequate financial reporting preparation and ensure the review process is effective in identifying SEFA errors.

## **City's Response**

*The City of Sumner appreciates the opportunity to respond to the auditor's report.*

*We acknowledge the circumstances described in the auditor's report, resulting from a combination of staffing changes and communication issues between City departments. As noted by the auditor, any errors did not result in a material impact to the Schedule of Expenditure of Federal Awards, and all errors were corrected prior to the end of the audit.*

*Going forward, the City has identified several process improvements. Additional staff has been assigned to monitor grant activity in the Finance department, and an additional level of review has been added. Procedures have been implemented to ensure accurate communication between departments, and staff training will continue to be emphasized.*

*We appreciate the partnership we have with the State Auditor's Office, and are confident this issue will not recur in subsequent audit periods.*

## **Auditor's Remarks**

We appreciate the steps the City is taking to address this issue. We will review the condition during our next audit.

## **Applicable Laws and Regulations**

Standards, SAS No. 115, states in part:

For all financial audits, auditors should report the following deficiencies in internal control:

- a. Significant deficiency: 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.
- b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, Section 300 - Auditee Responsibilities, states in part:

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_\_.310.

OMB Circular A-133, section .205, Basis for determining Federal awards expended, states in part:

- (a) Determining Federal awards expended. The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.

RCW 43.09.200, Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

*Budget Accounting and Reporting System (BARS) Manual – Part 3, Accounting, Chapter 1. Accounting Principles and General Procedures, Section C. Internal Control, states in part:*

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

# **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  
Pierce County  
January 1, 2013 through December 31, 2013**

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, Pierce County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 16, 2014.

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 or permitted 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 1, that we consider to be significant deficiencies.

## ***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*.

## ***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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 16, 2014

# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**City of Sumner  
Pierce County  
January 1, 2013 through December 31, 2013**

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, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

September 16, 2014



# **Independent Auditor's Report on Financial Statements**

## **City of Sumner Pierce County January 1, 2013 through December 31, 2013**

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, Pierce County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 20.

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

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the City of Sumner has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and 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, 2013, 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, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

### ***Other Matters***


#### ***Supplementary and Other Information***

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014 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.



**TROY KELLEY**  
STATE AUDITOR

September 16, 2014

## **Financial Section**

**City of Sumner  
Pierce County  
January 1, 2013 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Notes to Financial Statements – 2013

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Liabilities – 2013  
Schedule of Expenditures of Federal Awards – 2013  
Notes to the Schedule of Expenditures of Federal Awards – 2013

MCAG NO. 0606  
CITY OF SUMNER  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

BARS CODE			001/002/003/105
		Total for All Funds	GENERAL
Beginning Cash and Investments		21,914,921	\$ 2,833,404
30810	Reserved	8,899,362	14,361
30880	Unreserved	12,978,759	2,782,243
	Prior Period Adjustments (38880/58880)	-	36,800
Operating Revenues			
310	Taxes	8,077,412	7,476,830
320	Licenses and Permits	869,875	688,217
330	Intergovernmental	3,047,124	549,232
340	Charges for Goods and Services	12,929,190	1,434,628
350	Fines and Penalties	232,392	232,392
360	Miscellaneous	6,511,338	503,222
Total Operating Revenues		\$ 31,667,331	\$ 10,884,520
Operating Expenditures:			
510	General Government	3,810,366	2,650,820
520	Public Safety	4,055,604	3,998,896
530	Utilities	5,906,178	106,112
540	Transportation	1,301,983	-
550	Natural and Economic Environment	1,364,179	905,007
560	Social Services	1,705	1,705
570	Culture and Recreational	3,660,251	3,041,121
598	Intergovernmental Payments	-	-
Total Operating Expenditures		\$ 20,100,265	\$ 10,703,660
Net Operating Increase (Decrease)		\$ 11,567,066	\$ 180,859
Non-Operating Revenues			
370, 380, 395, 398	Other Financing Sources	7,567,839	2,500,000
391-393	Debt Proceeds	1,825,275	-
397	Transfers In	3,647,977	-
Total Non-Operating Revenues		\$ 13,041,091	\$ 2,500,000
Non-Operating Expenditures			
580, 596, 599	Other Financing Uses	2,500,000	-
591-593	Debt Service	3,127,847	-
594-595	Capital Expenditures	11,044,197	2,756,379
597	Transfers Out	3,644,137	1,227,779
Total Non-Operating Expenditures		\$ 20,316,182	\$ 3,984,158
Increase (Decrease) in Cash & Investments		\$ 4,291,976	\$ (1,303,299)
Ending Cash and Investments:		\$ 26,170,097	\$ 1,530,105
50810	Reserved	8,517,995	-
50880	Unreserved	17,652,102	1,530,105

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0606  
CITY OF SUMNER  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

BARS CODE		101 STREET	102 ART. STREET	106 MOTEL/HOTEL TAX
<b>Beginning Cash and Investments</b>		<b>\$ 143,216</b>	<b>\$ 1,207,492</b>	<b>\$ 76,002</b>
30810	Reserved	-	1,207,492	76,002
30880	Unreserved	143,216	-	-
	Prior Period Adjustments (38880/58880)	-	-	-
<b>Operating Revenues</b>				
310	Taxes	27,267	-	53,759
320	Licenses and Permits	27,605	-	-
330	Intergovernmental	203,620	(51,565)	-
340	Charges for Goods and Services	44,692	27,985	-
350	Fines and Penalties	-	-	-
360	Miscellaneous	9,887	3,386	41
<b>Total Operating Revenues</b>		<b>\$ 313,071</b>	<b>\$ (20,194)</b>	<b>\$ 53,800</b>
Operating Expenditures:				
510	General Government	-	-	2,688
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	926,825	-	-
550	Natural and Economic Environment	-	-	37,525
560	Social Services	-	-	-
570	Culture and Recreational	-	-	-
598	Intergovernmental Payments	-	-	-
<b>Total Operating Expenditures</b>		<b>\$ 926,825</b>	<b>\$ -</b>	<b>\$ 40,213</b>
<b>Net Operating Increase (Decrease)</b>		<b>\$ (613,754)</b>	<b>\$ (20,194)</b>	<b>\$ 13,587</b>
<b>Non-Operating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	1,336,441	-
397	Transfers In	851,024	-	-
<b>Total Non-Operating Revenues</b>		<b>\$ 851,024</b>	<b>\$ 1,336,441</b>	<b>\$ -</b>
<b>Non-Operating Expenditures</b>				
580, 596, 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	-	-
594-595	Capital Expenditures	380,486	1,094,882	-
597	Transfers Out	-	-	-
<b>Total Non-Operating Expenditures</b>		<b>\$ 380,486</b>	<b>\$ 1,094,882</b>	<b>\$ -</b>
<b>Increase (Decrease) in Cash &amp; Investments</b>		<b>\$ (143,216)</b>	<b>\$ 221,364</b>	<b>\$ 13,587</b>
<b>Ending Cash and Investments:</b>		<b>\$ 0</b>	<b>\$ 1,428,856</b>	<b>\$ 89,589</b>
50810	Reserved	-	1,428,856	89,589
50880	Unreserved	0	0	0

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0606  
CITY OF SUMNER  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

BARS CODE		109 ANIMAL CONTROL	111 MISC. GRANTS	200 DEBT SERVICE
<b>Beginning Cash and Investments</b>		<b>\$ 11,401</b>	<b>\$ (134,808)</b>	<b>\$ 1,304,213</b>
30810	Reserved	-	-	1,304,213
30880	Unreserved	11,401	(134,808)	-
	Prior Period Adjustments (38880/58880)	-	-	-
<b>Operating Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	63,270	-	-
330	Intergovernmental	-	232,251	-
340	Charges for Goods and Services	346,245	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous	19,315	7,502	2,111,980
<b>Total Operating Revenues</b>		<b>\$ 428,830</b>	<b>\$ 239,753</b>	<b>\$ 2,111,980</b>
Operating Expenditures:				
510	General Government	6,960	-	31,916
520	Public Safety	-	56,708	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	421,647	-	-
560	Social Services	-	-	-
570	Culture and Recreational	-	-	-
598	Intergovernmental Payments	-	-	-
<b>Total Operating Expenditures</b>		<b>\$ 428,607</b>	<b>\$ 56,708</b>	<b>\$ 31,916</b>
<b>Net Operating Increase (Decrease)</b>		<b>\$ 223</b>	<b>\$ 183,045</b>	<b>\$ 2,080,064</b>
<b>Non-Operating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers In	-	-	160,944
<b>Total Non-Operating Revenues</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 160,944</b>
<b>Non-Operating Expenditures</b>				
580, 596, 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	-	833,491
594-595	Capital Expenditures	-	-	-
597	Transfers Out	-	-	-
<b>Total Non-Operating Expenditures</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 833,491</b>
<b>Increase (Decrease) in Cash &amp; Investments</b>		<b>\$ 223</b>	<b>\$ 183,045</b>	<b>\$ 1,407,517</b>
<b>Ending Cash and Investments:</b>		<b>\$ 11,624</b>	<b>\$ 48,237</b>	<b>\$ 2,711,730</b>
50810	Reserved	-	48,237	2,711,730
50880	Unreserved	11,624	(0)	(0)

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0606  
CITY OF SUMNER  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

BARS CODE		221 L.I.D. GUARANTEE	302 SIDEWALK	303 GEN. GOVT. CAPL.
<b>Beginning Cash and Investments</b>		<b>\$ 1,408,488</b>	<b>\$ 142,174</b>	<b>\$ 1,226,230</b>
30810	Reserved	1,408,488	142,174	1,226,230
30880	Unreserved	-	-	-
	Prior Period Adjustments (38880/58880)	-	-	-
<b>Operating Revenues</b>				
310	Taxes	-	-	519,557
320	Licenses and Permits	-	-	-
330	Intergovernmental	-	487,985	924,878
340	Charges for Goods and Services	-	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous	2,920	178	6,014
<b>Total Operating Revenues</b>		<b>\$ 2,920</b>	<b>\$ 488,163</b>	<b>\$ 1,450,449</b>
Operating Expenditures:				
510	General Government	-	-	606
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreational	-	-	-
598	Intergovernmental Payments	-	-	-
<b>Total Operating Expenditures</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 606</b>
<b>Net Operating Increase (Decrease)</b>		<b>\$ 2,920</b>	<b>\$ 488,163</b>	<b>\$ 1,449,843</b>
<b>Non-Operating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers In	-	346,680	-
<b>Total Non-Operating Revenues</b>		<b>\$ -</b>	<b>\$ 346,680</b>	<b>\$ -</b>
<b>Non-Operating Expenditures</b>				
580, 596, 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	-	-
594-595	Capital Expenditures	-	977,017	181,392
597	Transfers Out	-	-	2,380,142
<b>Total Non-Operating Expenditures</b>		<b>\$ -</b>	<b>\$ 977,017</b>	<b>\$ 2,561,534</b>
<b>Increase (Decrease) in Cash &amp; Investments</b>		<b>\$ 2,920</b>	<b>\$ (142,174)</b>	<b>\$ (1,111,691)</b>
<b>Ending Cash and Investments:</b>		<b>\$ 1,411,408</b>	<b>\$ 0</b>	<b>\$ 114,539</b>
50810	Reserved	1,411,408	-	-
50880	Unreserved	(0)	0	114,539

The Accompanying Notes Are An Integral Part Of This Statement.



MCAG NO. 0606  
CITY OF SUMNER  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

BARS CODE		307 L.I.D. DEVELOPMENT	401 WATER	402 SEWER
<b>Beginning Cash and Investments</b>		<b>\$ 299,959</b>	<b>\$ 1,470,539</b>	<b>\$ 3,801,408</b>
30810	Reserved	568,384	-	1,276,589
30880	Unreserved	(268,425)	1,470,539	2,524,819
	Prior Period Adjustments (38880/58880)	-	-	(36,800)
<b>Operating Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	38,464	20,590
330	Intergovernmental	-	529,557	7,848
340	Charges for Goods and Services	-	2,587,553	4,865,848
350	Fines and Penalties	-	-	-
360	Miscellaneous	-	183,546	3,548,921
<b>Total Operating Revenues</b>		<b>\$ -</b>	<b>\$ 3,339,120</b>	<b>\$ 8,443,207</b>
<b>Operating Expenditures:</b>				
510	General Government	2,804	198,072	356,204
520	Public Safety	-	-	-
530	Utilities	-	1,303,606	2,965,457
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreational	-	-	-
598	Intergovernmental Payments	-	-	-
<b>Total Operating Expenditures</b>		<b>\$ 2,804</b>	<b>\$ 1,501,678</b>	<b>\$ 3,321,661</b>
<b>Net Operating Increase (Decrease)</b>		<b>\$ (2,804)</b>	<b>\$ 1,837,442</b>	<b>\$ 5,121,547</b>
<b>Non-Operating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	-	1,634,219	1,349,634
391-393	Debt Proceeds	-	-	488,834
397	Transfers In	1,800,542	-	-
<b>Total Non-Operating Revenues</b>		<b>\$ 1,800,542</b>	<b>\$ 1,634,219</b>	<b>\$ 1,838,467</b>
<b>Non-Operating Expenditures</b>				
580, 596, 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	234,897	1,658,947
594-595	Capital Expenditures	2,097,697	424,314	1,213,402
597	Transfers Out	-	12,072	12,072
<b>Total Non-Operating Expenditures</b>		<b>\$ 2,097,697</b>	<b>\$ 671,283</b>	<b>\$ 2,884,421</b>
<b>Increase (Decrease) in Cash &amp; Investments</b>		<b>\$ (299,959)</b>	<b>\$ 2,800,378</b>	<b>\$ 4,038,793</b>
<b>Ending Cash and Investments:</b>		<b>\$ (0)</b>	<b>\$ 4,270,917</b>	<b>\$ 7,840,201</b>
50810	Reserved	-	-	1,001,074
50880	Unreserved	(0)	4,270,917	6,839,127

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0606  
CITY OF SUMNER  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

BARS CODE		403 Utility Bond	408 STORM SEWER	410/415 CEMETERY
<b>Beginning Cash and Investments</b>		<b>\$ 1,672,796</b>	<b>\$ 4,745,645</b>	<b>\$ 169,808</b>
30810	Reserved	1,672,796	2,633	-
30880	Unreserved	-	4,743,012	169,808
	Prior Period Adjustments (38880/58880)	-	-	-
<b>Operating Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	31,730	-
330	Intergovernmental	-	163,317	-
340	Charges for Goods and Services	-	1,801,639	319,116
350	Fines and Penalties	-	-	-
360	Miscellaneous	5,172	33,377	6,311
<b>Total Operating Revenues</b>		<b>\$ 5,172</b>	<b>\$ 2,030,063</b>	<b>\$ 325,427</b>
Operating Expenditures:				
510	General Government	-	199,304	27,208
520	Public Safety	-	-	-
530	Utilities	-	1,148,269	382,734
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreational	-	-	-
598	Intergovernmental Payments	-	-	-
<b>Total Operating Expenditures</b>		<b>\$ -</b>	<b>\$ 1,347,573</b>	<b>\$ 409,942</b>
<b>Net Operating Increase (Decrease)</b>		<b>\$ 5,172</b>	<b>\$ 682,490</b>	<b>\$ (84,515)</b>
<b>Non-Operating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	-	2,083,987	-
391-393	Debt Proceeds	-	-	-
397	Transfers In	-	-	63,840
<b>Total Non-Operating Revenues</b>		<b>\$ -</b>	<b>\$ 2,083,987</b>	<b>\$ 63,840</b>
<b>Non-Operating Expenditures</b>				
580, 596, 599	Other Financing Uses	-	2,500,000	-
591-593	Debt Service	-	2,328	-
594-595	Capital Expenditures	-	1,343,053	-
597	Transfers Out	-	12,072	-
<b>Total Non-Operating Expenditures</b>		<b>\$ -</b>	<b>\$ 3,857,453</b>	<b>\$ -</b>
<b>Increase (Decrease) in Cash &amp; Investments</b>		<b>\$ 5,172</b>	<b>\$ (1,090,977)</b>	<b>\$ (20,675)</b>
<b>Ending Cash and Investments:</b>		<b>\$ 1,677,968</b>	<b>\$ 3,654,668</b>	<b>\$ 149,133</b>
50810	Reserved	1,677,968	-	149,133
50880	Unreserved	(0)	3,654,668	0

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0606  
CITY OF SUMNER  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

BARS CODE		420 MULTI- PURPOSE	430 GOLF COURSE	501 UNEMPLOYMENT INS.
<b>Beginning Cash and Investments</b>		<b>\$ 80,416</b>	<b>\$ -</b>	<b>\$ 69,121</b>
30810	Reserved	-	-	-
30880	Unreserved	80,416	-	69,121
	Prior Period Adjustments (38880/58880)	-	-	-
<b>Operating Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental	-	-	-
340	Charges for Goods and Services	-	550,749	-
350	Fines and Penalties	-	-	-
360	Miscellaneous	57,179	-	26
<b>Total Operating Revenues</b>		<b>\$ 57,179</b>	<b>\$ 550,749</b>	<b>\$ 26</b>
Operating Expenditures:				
510	General Government	17,808	-	17,009
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreational	41,618	577,512	-
598	Intergovernmental Payments	-	-	-
<b>Total Operating Expenditures</b>		<b>\$ 59,426</b>	<b>\$ 577,512</b>	<b>\$ 17,009</b>
<b>Net Operating Increase (Decrease)</b>		<b>\$ (2,247)</b>	<b>\$ (26,763)</b>	<b>\$ (16,982)</b>
<b>Non-Operating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers In	-	424,947	-
<b>Total Non-Operating Revenues</b>		<b>\$ -</b>	<b>\$ 424,947</b>	<b>\$ -</b>
<b>Non-Operating Expenditures</b>				
580, 596, 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	398,184	-
594-595	Capital Expenditures	-	-	-
597	Transfers Out	-	-	-
<b>Total Non-Operating Expenditures</b>		<b>\$ -</b>	<b>\$ 398,184</b>	<b>\$ -</b>
<b>Increase (Decrease) in Cash &amp; Investments</b>		<b>\$ (2,247)</b>	<b>\$ 0</b>	<b>\$ (16,982)</b>
<b>Ending Cash and Investments:</b>		<b>\$ 78,169</b>	<b>\$ 0</b>	<b>\$ 52,139</b>
50810	Reserved	-	-	-
50880	Unreserved	78,169	0	52,139

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0606  
CITY OF SUMNER  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

BARS CODE		550 FLEET OPER.	551 TECHNOLOGY SERV.	555 FLEET REPLACEMENT
<b>Beginning Cash and Investments</b>		<b>\$ 42,351</b>	<b>\$ 46,130</b>	<b>\$ 1,298,936</b>
30810	Reserved	-	-	-
30880	Unreserved	42,351	46,130	1,298,936
	Prior Period Adjustments (38880/58880)	-	-	-
<b>Operating Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental	-	-	-
340	Charges for Goods and Services	354,656	293,488	302,592
350	Fines and Penalties	-	-	-
360	Miscellaneous	774	8	11,579
<b>Total Operating Revenues</b>		<b>\$ 355,430</b>	<b>\$ 293,496</b>	<b>\$ 314,171</b>
Operating Expenditures:				
510	General Government	24,380	270,799	3,788
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	375,010	-	148
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreational	-	-	-
598	Intergovernmental Payments	-	-	-
<b>Total Operating Expenditures</b>		<b>\$ 399,390</b>	<b>\$ 270,799</b>	<b>\$ 3,936</b>
<b>Net Operating Increase (Decrease)</b>		<b>\$ (43,960)</b>	<b>\$ 22,697</b>	<b>\$ 310,235</b>
<b>Non-Operating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers In	-	-	-
<b>Total Non-Operating Revenues</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Non-Operating Expenditures</b>				
580, 596, 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	-	-
594-595	Capital Expenditures	-	10,400	565,175
597	Transfers Out	-	-	-
<b>Total Non-Operating Expenditures</b>		<b>\$ -</b>	<b>\$ 10,400</b>	<b>\$ 565,175</b>
<b>Increase (Decrease) in Cash &amp; Investments</b>		<b>\$ (43,960)</b>	<b>\$ 12,298</b>	<b>\$ (254,940)</b>
<b>Ending Cash and Investments:</b>		<b>\$ (1,609)</b>	<b>\$ 58,428</b>	<b>\$ 1,043,996</b>
50810	Reserved	-	-	-
50880	Unreserved	(1,609)	58,428	1,043,996

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0606  
CITY OF SUMNER  
FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2013

	Total for All Fiduciary Funds	601 CEMETERY ENDOWMENT	605 DEVELOPMENT IMPACT	611 FIREMENS PENSION	615 SECTION 125 PLAN
<b>Beginning Cash and Investments</b>	\$ 1,983,557	\$ 1,052,478	\$ 693,905	\$ 218,360	\$ 18,814
Prior Period Adjustments, net	-	-	-	-	-
Revenues	1,271,438	22,074	1,171,150	22,503	55,711
Other Increases and Financing Sources	-	-	-	-	-
Expenditures	140,688	-	-	70,888	69,800
Other Decreases and Financing Uses	3,840	3,840	-	-	-
<b>Increase (Decrease) in Cash and Investments</b>	<b>\$ 1,126,910</b>	<b>\$ 18,234</b>	<b>\$ 1,171,150</b>	<b>\$ (48,385)</b>	<b>\$ (14,089)</b>
<b>Ending Cash and Investments</b>	<b>\$ 3,110,467</b>	<b>\$ 1,070,712</b>	<b>\$ 1,865,055</b>	<b>\$ 169,975</b>	<b>\$ 4,725</b>

**CITY OF SUMNER**  
**Notes to the Financial Statements**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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, golf course as well as water, sewer and storm sewer utilities. The city uses cash basis accounting which is a departure from generally accepted accounting principles (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 (Funds 200, 213, 214, 221, 234, 268, 270, and 275)**

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.

## PROPRIETARY FUND TYPES:

### Enterprise Funds (Funds 401, 402, 403, 408, 410, 415, 420 & 430)

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.

### Cemetery Endowment Fund (Fund 601)

This fund accounts for 10 percent of all moneys derived from the sale of lots, crypts, and niches in the city cemetery to be used for long term care of the facilities.

### 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 631, 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.

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

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

c. Budgets

The city 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:

	Fund	2013/2014 Adopted Budget	2013/2014 Revised Budget	2013 Actuals	Variance
001	General Fund	\$ 19,608,100	\$ 19,903,997	\$ 11,625,402	\$ 8,278,595
002	General Fund Reserves	1,122,000	1,122,000	151,796	970,204
003	Building Reserves	220,000	220,000	53,509	166,491
101	Streets	2,029,300	4,629,300	1,310,980	3,318,320
102	Arterial Streets	2,455,450	3,280,450	1,096,631	2,183,819
105	Drug Enforcement	76,540	119,540	46,701	72,839
106	Hotel/Motel Tax	155,000	155,000	43,452	111,548
107	LID Development	-	-	5,712	(5,712)
109	Animal Control	1,032,830	1,032,830	432,464	600,366
111	Miscellaneous Grants	70,000	70,000	62,401	7,599
200	Debt Service	4,465,500	4,465,500	1,069,247	3,396,253
302	Sidewalk	315,000	1,435,000	1,073,685	361,315
303	General Government Capital Asset	1,627,700	2,590,700	260,917	2,329,783
307	136th/Valentine LID	1,525,000	1,525,000	2,164,707	(639,707)
401	Water	12,548,520	12,548,520	2,383,902	10,164,618
402	Sewer	26,642,630	26,642,630	6,767,607	19,875,023
403	Utility Bond Reserves	1,680,400	1,680,400	-	1,680,400
408	Stormwater	8,919,250	11,979,250	4,205,312	7,773,938
410	Cemetery Operation	815,750	815,750	419,344	396,406
415	Cemetery Development	244,000	244,000	19,459	224,541
420	Multi-Purpose Operations Center	190,000	190,000	59,094	130,906
430	Golf Course Operations	2,219,380	2,219,380	1,050,625	1,168,755
501	Unemployment Insurance	66,000	66,000	17,009	48,991
550	Fleet Operations	825,750	825,750	400,585	425,165
551	Technology Services	700,460	700,460	280,041	420,420
555	Fleet Replacement	1,939,840	1,939,840	163,674	1,776,166
601	Cemetery Endowment	1,090,000	1,090,000	3,840	1,086,160
605	Development Impact Fees	864,500	929,500	-	929,500
611	Firemen's Pension	256,110	256,110	70,820	185,290
615	Section 125 Plan	-	-	69,800	(69,800)
	Total - All Funds	\$ 93,705,010	\$ 102,676,907	\$ 35,308,714	\$ 67,368,193

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.

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. Sick leave may accumulate up to 720 hours. Up to 100 percent of outstanding sick leave is payable upon retirement or death depending upon time with City.

i. Long-Term Debt

See Long-Term Debt Note No. 7

j. Other Financing Sources or Uses

The city's *Other Financing Sources or Uses* consist of *Transfers In and Transfers Out*.

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 145 Members.

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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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.

#### I. Reserved Fund Balance

Reserved Fund Balances are used for reserves for petty cash, debt service and capital purposes.

#### 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 2013/2014 biennial budget. There have been no expenditures exceeding legal appropriations in any of the funds of the city.

#### NOTE 3 - INVESTMENTS

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, 2013 are as follows:

Type of Investment	Investments Held by the City for other local governments, individual or private organizations			Total
	City's Own Investments			
Local Government Investment Pool	\$ 6,055,360	\$ -		\$ 6,055,360
US Government Securities	8,589,799	-		8,589,799
Total Investments	14,645,158	-		14,645,158

#### 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 2013 was \$0.6664 per \$1,000 on an assessed valuation of \$1,655,317,256 for a total regular levy of \$1,105,631.

#### NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2013.

Lending Fund	Borrowing Fund	01/01/13	New Loans	Repayments	12/31/13
General Fund	Animal Control <sup>1</sup>	\$ 50,000	\$ -	\$ 50,000	\$ -
General Fund	Golf Course	195,000	-	-	195,000
Sewer Utility	LID Development Fund	1,550,000	-	-	1,550,000
Storm Sewer Utility	General Fund	2,500,000	-	-	2,500,000
Storm Sewer Utility	LID Development Fund	800,000	-	-	800,000
Storm Sewer Utility	Water Fund	1,000,000	-	-	1,000,000
Storm Sewer Utility	Golf Course	490,000	-	-	490,000
Cemetery Endowment	Golf Course	190,000	-	-	190,000
Total Interfund Loans		6,775,000	-	50,000	6,725,000

<sup>1</sup>Ordinance #2454 permanently diverted (forgave) the repayment of the interfund loan between the General Fund and the Animal Control Fund.

#### NOTE 6 – CASH BALANCES

The City of Sumner Municipal Court holds a separate bank account for judicial transactions. This account is not included in the reported cash balances. As of December 31, 2013, the balance of this account was \$4,351.00.

#### 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 2013. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total
2013	\$ 564,800	\$ 576,000	\$ 1,940,591	\$ 3,081,391
2014	571,800	577,800	2,460,803	3,610,403
2015	587,800	578,800	2,504,748	3,671,348
2016	607,400	574,000	2,314,052	3,495,452
2017	610,400	573,600	2,502,148	3,686,148
2018-2xxx	328,800	582,400	6,404,845	7,316,045
	\$ 3,271,000	\$ 3,462,600	\$ 18,127,187	\$ 24,860,787

## NOTE 8 - 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. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

## NOTE 9 - LOCAL GOVERNMENT PENSION FUND

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, 2013 there were a total of five 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:

<b>Health First – 1000 Retiree</b>	
\$830.01	Non-Medicare enrolled retiree coverage
\$837.26	Non-Medicare enrolled spouse coverage
\$443.30	Medicare-enrolled retiree coverage
\$456.13	Medicare-enrolled spouse coverage
\$234.71	First child
\$185.62	Second child

<b>Health First – 2500 Retiree</b>	
\$724.72	Non-Medicare enrolled retiree coverage
\$729.99	Non-Medicare enrolled spouse coverage
\$388.08	Medicare-enrolled retiree coverage
\$398.04	Medicare-enrolled spouse coverage
\$205.19	First child
\$162.43	Second child

### **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 2013, the City contributed \$103,113.48 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 2013, the City paid \$17,539.45 directly to retirees to reimburse out of pocket expenses. These expenditures are paid by the General Fund.

**City of Sumner**  
**Schedule of Liabilities**  
**For the year ended December 31, 2013**

Debt Type	ID No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance December 31, 2013
General Obligation	251.11	2008 LTGO Refunding Bonds	12/31/2019	2,870,000	-	450,000	59119	2,420,000
General Obligation	259.11	Compensated Absences	-	568,849	-	-	-	568,849
General Obligation	259.11	Compensated Absences	-	310,391	-	-	-	310,391
		<b>Total General Obligation</b>		<b>3,749,240</b>	<b>-</b>	<b>450,000</b>		<b>3,299,240</b>
Revenue Obligation	252.11	2008 Water/Sewer Refunding Bond	12/31/2018	715,413	-	107,608	58235	607,806
Revenue Obligation	252.11	2008 Water/Sewer Refunding Bond	12/31/2018	2,309,588	-	347,393	58235	1,962,196
Revenue Obligation	263.82	PWTF 00-691-054	12/31/2020	1,509,105	-	188,638	58235	1,320,467
Revenue Obligation	263.82	PWTF 02-691-054	12/31/2022	2,599,300	-	259,930	58235	2,339,370
Revenue Obligation	263.82	PWTF 04-691-067	12/31/2024	1,335,700	-	111,308	58235	1,224,392
Revenue Obligation	263.82	PWTF PC12-951-050	12/31/2031	442,454	488,834	31,587	58235	899,701
		<b>Total Revenue Obligation</b>		<b>8,911,560</b>	<b>488,834</b>	<b>1,046,464</b>		<b>8,353,930</b>
Assessment Obligation	253.11	LID #70	12/31/2019	4,620,000	-	360,000	59195	4,260,000
Assessment Obligation	253.11	LID #75	12/31/2015	390,000	-	60,000	59195	330,000
Assessment Obligation	253.11	ULID #67	12/31/2017	2,390,000	-	455,000	58235	1,935,000
Assessment Obligation	253.11	ULID 73/74	12/31/2018	387,000	-	50,310	58234	336,690
Assessment Obligation	253.11	ULID 73/74	12/31/2018	113,000	-	14,690	58235	98,310
Assessment Obligation	253.11	ULID #2001-1	12/31/2018	-	1,336,441	-	58235	1,336,441
		<b>Total Assessment Obligation</b>		<b>7,900,000</b>	<b>1,336,441</b>	<b>940,000</b>		<b>8,296,441</b>
		<b>Total Liabilities</b>		<b>20,560,800</b>	<b>1,825,275</b>	<b>2,436,464</b>		<b>19,949,612</b>

**City of Sumner**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**For the year ended December 31, 2013**

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Project	Other Award Number	Expenditures		Footnote Reference
					From Pass-Through	From Direct Awards	
Bureau of Justice Assistance, Department of Justice	Bulletproof Vest Partnership Program	16.607	n/a	n/a	-	2,601	2,601
Federal Highway Administration (FHWA)/WA State Dept of Transportation (WSDOT)	Highway Planning and Construction	20.205	East Valley Highway Resurfacing	LA-7273	121,231	-	121,231
Federal Highway Administration (FHWA)/WA State Dept of Transportation (WSDOT)	Highway Planning and Construction	20.205	Interurban Trail Extension	LA-6225	8,694	-	8,694
Federal Highway Administration (FHWA)/WA State Dept of Transportation (WSDOT)	Highway Planning and Construction	20.205	Bridge Street Bridge Replacement	LA-8211	304,389	-	304,389
Federal Highway Administration (FHWA)/WA State Dept of Transportation (WSDOT)	Highway Planning and Construction	20.205	Stewart Road Bridge Replacement	LA-8230	777	-	777
National Highway Traffic Safety Administration/WA State Dept of Transportation/WASPC	State and Community Highway Safety	20.600	Traffic Safety Equipment	n/a	2,400	-	2,400
National Highway Traffic Safety Administration/WA State Dept of Transportation/WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Impaired Driving (DUI) Enforcement	n/a	1,695	-	1,695
National Highway Traffic Safety Administration/WA State Dept of Transportation/WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	X52 DUI Emphasis	n/a	3,536	-	3,536
National Highway Traffic Safety Administration/WA State Dept of Transportation/WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	Seatbelt Enforcement	n/a	666	-	666
Department of Homeland Security/WA State Military Department	Disaster Grants Public Assistance (Presidentially Declared Disasters)	97.036	River Bank Restoration January 2012 Storm Assistance	D09-079	142,082	-	142,082
Department of Homeland Security/WA State Military Department	Disaster Grants Public Assistance (Presidentially Declared Disasters)	97.036	Assistance	D12-166	31,394	-	31,394
Department of Homeland Security/WA State Military Department	Hazard Mitigation Grant	97.039	Sumner Springs Seismic Retrofit	E09-93	114,704	-	114,704
Department of Homeland Security/WA State Military Department	Hazard Mitigation Grant	97.039	Sumner Springs Seismic Retrofit	E09-93	1,266	-	1,266
Department of Homeland Security/WA State Military Department	Emergency Management Performance Grants	97.042	Emergency Operations Center	n/a	36,404	-	36,404
National Highway Traffic Safety Administration/WA State Dept of Transportation/WA Impaired Driving Council	Highway Research and Development Program	20.200	Party Intervention Patrol	n/a	4,333	-	4,333
National Highway Traffic Safety Administration/WA State Dept of Transportation/WA Impaired Driving Council	State and Community Highway Safety	20.600	Target Zero	n/a	11,989	-	11,989
Total Federal Awards Expended					785,559	2,601	788,160

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



City of Sumner  
**NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**For the year ended December 31, 2013**

Note 1: Basis of accounting

This schedule is prepared on the same basis of accounting as the City's financial statements.  
The City uses the cash basis of accounting for all general government and proprietary 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, may be more than shown.

Note 3: Prior Period

The amounts shown were incurred, but not reported, in a prior period. For clarity, they are reported on this schedule.

Note 4: Prior Period Corrections

The amount shown is a net correction for years 2009-2012. In year 2009, the program was underreported by \$1,633. In year 2010, the program was underreported by \$31. In year 2011, the program was underreported by \$143,839. In year 2011, the program was overreported by \$30,929.

# Corrective Action Plan for Findings Reported Under OMB Circular A-133

## City of Sumner Pierce County January 1, 2013 through December 31, 2013

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the City of Sumner.

<b>Finding ref number:</b> <b>1</b>	<b>Finding caption:</b> The City needs to strengthen internal controls over the preparation of the Schedule of Expenditures of Federal Awards to ensure accurate financial reporting
<b>Name, address, and telephone of auditee contact person:</b> Kassandra Raymond, Financial Services Manager 1104 Maple Street, Suite 240 Sumner, WA 98390 (253) 299-5541	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City of Sumner appreciates the opportunity to respond to the auditor's report.</i>  <i>We acknowledge the circumstances described in the auditor's report, resulting from a combination of staffing changes and communication issues between City departments. As noted by the auditor, any errors did not result in a material impact to the Schedule of Expenditure of Federal Awards, and all errors were corrected prior to the end of the audit.</i>  <i>Going forward, the City has identified several process improvements. Additional staff has been assigned to monitor grant activity in the Finance department, and an additional level of review has been added. Procedures have been implemented to ensure accurate communication between departments, and staff training will continue to be emphasized.</i>  <i>We appreciate the partnership we have with the State Auditor's Office, and are confident this issue will not recur in subsequent audit periods.</i>	
<b>Anticipated date to complete the corrective action:</b> May 30, 2015	

## 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.

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Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
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