

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

City of Sunnyside
Yakima County

Audit Period
January 1, 2008 through December 31, 2008

Report No. 1002253

Issue Date
December 21, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

December 21, 2009

Council
City of Sunnyside
Sunnyside, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Sunnyside's financial statements and compliance with federal laws and regulations.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Yakima County
January 1, 2008 through December 31, 2008**

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Federal Summary

**City of Sunnyside
Yakima County
January 1, 2008 through December 31, 2008**

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

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

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

We issued an unqualified 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 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.

**Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters in Accordance
with *Government Auditing Standards***

City of Sunnyside
Yakima County
January 1, 2008 through December 31, 2008

Council
City of Sunnyside
Sunnyside, Washington

We have audited the financial statements of the City of Sunnyside, Yakima County, Washington, as of and for the year ended December 31, 2008, and have issued our report thereon dated September 16, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information and use of management, the Council, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 16, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to its Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Sunnyside
Yakima County
January 1, 2008 through December 31, 2008**

Council
City of Sunnyside
Sunnyside, Washington

COMPLIANCE

We have audited the compliance of the City of Sunnyside, Yakima County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. The City's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a

major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Council, federal awarding agencies and pass-through entities. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 16, 2009

Independent Auditor's Report on Financial Statements

**City of Sunnyside
Yakima County
January 1, 2008 through December 31, 2008**

Council
City of Sunnyside
Sunnyside, Washington

We have audited the accompanying financial statements of the City of Sunnyside, Yakima County, Washington, for the year ended December 31, 2008. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 Long-Term Debt 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 16, 2009

Financial Section

**City of Sunnyside
Yakima County
January 1, 2008 through December 31, 2008**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2008
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SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2008
Schedule of Expenditures of Federal Awards – 2008
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CITY OF SUNNYSIDE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name 001 General Fund		Fund Number and Name 101 Street	
		Budget	Actual	Budget	Actual
		Beginning Net Cash and Investments:		\$943,380	\$949,675
Revenues and Other Sources:					
310	Taxes	5,976,320	6,345,814	0	0
320	Licenses and Permits	197,090	228,882	2,000	2,000
330	Intergovernmental	1,613,850	1,721,744	1,522,000	823,372
340	Charges for Goods and Services	1,131,570	1,174,207	0	0
350	Fines and Forfeits	241,070	283,071	0	0
360	Miscellaneous	57,590	64,554	0	4,157
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	790,700	790,702	577,320	561,556
Total Revenues and Other Financing Sources		10,008,190	10,608,974	2,101,320	1,391,084
Total Resources		10,951,570	11,558,649	2,140,600	1,430,366
Operating Expenditures:					
510	General Government	2,461,660	2,289,053	0	0
520	Public Safety	5,462,240	5,260,293	0	0
530	Physical Environment	51,920	46,059	0	0
540	Transportation	24,460	22,414	856,760	835,080
550	Economic Environment	204,680	194,416	0	0
560	Mental and Physical Health	3,500	3,509	0	0
570	Culture and Recreational	759,420	675,633	0	0
Total Operating Expenditures		8,967,880	8,491,377	856,760	835,080
591-593	Debt Service	0	0	0	0
594-595	Capital Outlay	48,750	44,826	1,188,890	593,968
Total Expenditures		9,016,630	8,536,203	2,045,650	1,429,048
597-599	Other Financing Uses	577,320	561,556	0	0
Total Expenditures and Other Financing Uses		9,593,950	9,097,759	2,045,650	1,429,048
Excess (Deficit) of Resources Over Uses:		1,357,620	2,460,890	94,950	1,318
380	Nonrevenues (Except 384 and 388.80)	4,390	358,277	5,050	5,350
580	Nonexpenditures (Except 584 and 588.80)	0	353,612	0	6,668
Ending Net Cash and Investments:		\$1,362,010	\$2,465,555	\$100,000	\$0

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SUNNYSIDE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name		Fund Number and Name	
		140 Public Safety Tax		201 General Obligation Bonds	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments:		\$56,760	\$56,758	\$2,560	\$2,559
Revenues and Other Sources:					
310	Taxes	323,210	344,018	705,290	705,290
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	1,000	1,297	100	87
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	0	0	0	0
Total Revenues and Other Financing Sources		324,210	345,315	705,390	705,377
Total Resources		380,970	402,073	707,950	707,936
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	345,430	334,054	0	0
530	Physical Environment	0	0	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreational	0	0	0	0
Total Operating Expenditures		345,430	334,054	0	0
591-593	Debt Service	0	0	704,670	704,661
594-595	Capital Outlay	0	0		
Total Expenditures		345,430	334,054	704,670	704,661
597-599	Other Financing Uses	0	0	0	0
Total Expenditures and Other Financing Uses		345,430	334,054	704,670	704,661
Excess (Deficit) of Resources Over Uses:		35,540	68,019	3,280	3,275
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments:		\$35,540	\$68,019	\$3,280	\$3,275

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SUNNYSIDE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name 410 Water		Fund Number and Name 420 Sewer	
		Budget	Actual	Budget	Actual
		Beginning Net Cash and Investments:		\$1,185,200	\$1,185,196
Revenues and Other Sources:					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	0	0
340	Charges for Goods and Services	1,722,010	1,847,875	1,910,690	1,996,967
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	48,450	54,160	60,700	67,012
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	48,430	48,430	176,300	176,300
Total Revenues and Other Financing Sources		1,818,890	1,950,465	2,147,690	2,240,279
Total Resources		3,004,090	3,135,661	4,557,420	4,650,008
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Physical Environment	1,348,370	1,325,495	1,337,140	1,317,005
540	Transportation	0	0	0	0
550	Economic Environment	1,000	1,000	1,000	1,000
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreational	0	0	0	0
Total Operating Expenditures		1,349,370	1,326,495	1,338,140	1,318,005
591-593	Debt Service	6,280	6,272	116,530	116,518
594-595	Capital Outlay	1,646,710	403,717	134,760	46,974
Total Expenditures		3,002,360	1,736,484	1,589,430	1,481,497
597-599	Other Financing Uses	34,900	34,900	0	0
Total Expenditures and Other Financing Uses		3,037,260	1,771,384	1,589,430	1,481,497
Excess (Deficit) of Resources Over Uses:		(33,170)	1,364,277	2,967,990	3,168,511
380	Nonrevenues (Except 384 and 388.80)	1,541,170	324,928	350,870	350,872
580	Nonexpenditures (Except 584 and 588.80)	560,580	567,667	949,140	949,215
Ending Net Cash and Investments:		\$947,420	\$1,121,538	\$2,369,720	\$2,570,168

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SUNNYSIDE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name 430 Garbage		Fund Number and Name 440 Ambulance	
		Budget	Actual	Budget	Actual
		Beginning Net Cash and Investments:		\$45,540	\$45,543
Revenues and Other Sources:					
310	Taxes	0	0	406,770	401,488
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	1,640	1,644
340	Charges for Goods and Services	746,000	785,756	455,000	523,126
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	2,880	3,072	56,500	56,854
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	0	0	8,910	8,910
Total Revenues and Other Financing Sources		748,880	788,828	928,820	992,022
Total Resources		794,420	834,371	1,189,250	1,252,499
Operating Expenditures:					
510	General Government	0	0	0	0
520	Public Safety	0	0	843,310	823,450
530	Physical Environment	757,640	753,298	0	0
540	Transportation	0	0	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreational	0	0	0	0
Total Operating Expenditures		757,640	753,298	843,310	823,450
591-593	Debt Service	0	0	0	0
594-595	Capital Outlay	0	0	0	0
Total Expenditures		757,640	753,298	843,310	823,450
597-599	Other Financing Uses	0	0	0	0
Total Expenditures and Other Financing Uses		757,640	753,298	843,310	823,450
Excess (Deficit) of Resources Over Uses:		36,780	81,073	345,940	429,049
380	Nonrevenues (Except 384 and 388.80)	870	872	230	238
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments:		\$37,650	\$81,945	\$346,170	\$429,287

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF SUNNYSIDE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2008

BARS CODE		Fund Number and Name 501 Equipment Rental		Fund Number and Name 504 Data Processing	
		Budget	Actual	Budget	Actual
		Beginning Net Cash and Investments:		\$984,750	\$984,749
Revenues and Other Sources:					
310	Taxes	0	0	0	0
320	Licenses and Permits	0	0	0	0
330	Intergovernmental	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines and Forfeits	0	0	0	0
360	Miscellaneous	708,110	715,152	402,590	402,631
370	Capital Contributions	0	0	0	0
390	Other Financing Sources	29,200	29,208	0	0
Total Revenues and Other Financing Sources		737,310	744,360	402,590	402,631
Total Resources		1,722,060	1,729,109	421,790	421,830
Operating Expenditures:					
510	General Government	0	0	396,070	354,734
520	Public Safety	0	0	0	0
530	Physical Environment	0	0	0	0
540	Transportation	423,330	402,312	0	0
550	Economic Environment	0	0	0	0
560	Mental and Physical Health	0	0	0	0
570	Culture and Recreational	0	0	0	0
Total Operating Expenditures		423,330	402,312	396,070	354,734
591-593	Debt Service	436,220	334,094	0	0
594-595	Capital Outlay	0	0	5,000	0
Total Expenditures		859,550	736,406	401,070	354,734
597-599	Other Financing Uses	825,000	825,000	0	0
Total Expenditures and Other Financing Uses		1,684,550	1,561,406	401,070	354,734
Excess (Deficit) of Resources Over Uses:		37,510	167,703	20,720	67,096
380	Nonrevenues (Except 384 and 388.80)	0	0	0	0
580	Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments:		\$37,510	\$167,703	\$20,720	\$67,096

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2008

Fund Type: Special Revenue Funds	Fund Number and Name 115 Contingency		Fund Number and Name 120 Investigative	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$870	\$874	\$133,150	\$143,155
Revenue and Other Financing Sources	10	26	62,670	71,570
Total Resources	880	900	195,820	214,725
Expenditures And Other Financing Uses	0	0	26,350	24,527
Excess (Deficit) of Resources Over Uses	880	900	169,470	190,198
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$880	\$900	\$169,470	\$190,198

Fund Type: Special Revenue Funds	Fund Number and Name 130 Police Crime Prevention		Fund Number and Name 160 Tourism Expansion	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$85,970	\$85,970	\$120,170	\$120,171
Revenue and Other Financing Sources	270,850	121,354	83,000	96,047
Total Resources	356,820	207,324	203,170	216,218
Expenditures And Other Financing Uses	274,710	205,020	145,000	125,504
Excess (Deficit) of Resources Over Uses	82,110	2,304	58,170	90,714
Nonrevenues (Except 384 and 388.80)	0	13,718	0	0
Nonexpenditures (Except 584 and 588.80)	0	13,718	0	0
Ending Net Cash and Investments	\$82,110	\$2,304	\$58,170	\$90,714

Fund Type: Capital Projects Funds	Fund Number and Name 303 Community Development Block Grant		Fund Number and Name 304 Local Capital Improvements	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$93,340	\$93,336	\$198,400	\$198,399
Revenue and Other Financing Sources	5,300	4,881	70,000	81,804
Total Resources	98,640	98,217	268,400	280,203
Expenditures And Other Financing Uses	62,760	62,756	15,000	14,650
Excess (Deficit) of Resources Over Uses	35,880	35,461	253,400	265,553
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$35,880	\$35,461	\$253,400	\$265,553

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2008

Fund Type: Capital Projects Funds	Fund Number and Name 305 Local Capital Improvements (REET-2)		Fund Number and Name 322 Fire Equipment Reserve	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$9,900	\$9,901	\$49,540	\$49,545
Revenue and Other Financing Sources	58,200	67,616	1,200	1,449
Total Resources	68,100	77,517	50,740	50,994
Expenditures And Other Financing Uses	68,100	68,100	0	0
Excess (Deficit) of Resources Over Uses	0	9,417	50,740	50,994
Nonrevenues (Except 384 and 388.80)	0	0	0	0
Nonexpenditures (Except 584 and 588.80)	0	0	0	0
Ending Net Cash and Investments	\$0	\$9,417	\$50,740	\$50,994

Fund Type: Enterprise Funds	Fund Number and Name 450 Stormwater		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$0	\$0		
Revenue and Other Financing Sources	97,040	83,511		
Total Resources	97,040	83,511		
Expenditures And Other Financing Uses	7,000	1,465		
Excess (Deficit) of Resources Over Uses	90,040	82,046		
Nonrevenues (Except 384 and 388.80)	0	0		
Nonexpenditures (Except 584 and 588.80)	0	0		
Ending Net Cash and Investments	\$90,040	\$82,046		

Fund Type: Internal Service Funds	Fund Number and Name 503 Public Works Service Center		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$33,080	\$33,078		
Revenue and Other Financing Sources	31,330	31,441		
Total Resources	64,410	64,519		
Expenditures And Other Financing Uses	41,290	40,292		
Excess (Deficit) of Resources Over Uses	23,120	24,227		
Nonrevenues (Except 384 and 388.80)	0	0		
Nonexpenditures (Except 584 and 588.80)	0	0		
Ending Net Cash and Investments	\$23,120	\$24,227		

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF SUNNYSIDE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2008

Fund Type: Pension Trust Funds	Fund Number and Name 611 Firemen's Relief and Pension		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	\$323,830	\$323,832		
Revenue and Other Financing Sources	21,680	20,516		
Total Resources	345,510	344,348		
Expenditures And Other Financing Uses	29,030	25,618		
Excess (Deficit) of Resources Over Uses	316,480	318,730		
Nonrevenues (Except 384 and 388.80)	0	0		
Nonexpenditures (Except 584 and 588.80)	0	0		
Ending Net Cash and Investments	\$316,480	\$318,730		

Fund Type: Agency Funds	Fund Number and Name Municipal Court		Fund Number and Name Jail/Prisoner	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	N/A	\$37,418	N/A	\$89,075
Revenue and Other Financing Sources	N/A	0	N/A	0
Total Resources	N/A	37,418	N/A	89,075
Expenditures And Other Financing Uses	N/A	0	N/A	0
Excess (Deficit) of Resources Over Uses	N/A	37,418	N/A	89,075
Nonrevenues (Except 384 and 388.80)	N/A	768,198	N/A	146,252
Nonexpenditures (Except 584 and 588.80)	N/A	774,077	N/A	122,919
Ending Net Cash and Investments	N/A	\$31,539	N/A	\$112,408

The Accompanying Notes Are An Integral Part Of This Statement.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. FUND ACCOUNTING

The accounts of the City of Sunnyside are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Sunnyside'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 of Sunnyside:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the City of Sunnyside.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital projects.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account for assets that the City of Sunnyside holds for others in an agency capacity.

B. BASIS OF ACCOUNTING

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

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

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

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

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

C. BUDGETS

Annual appropriated budgets are adopted for all funds with the exception of fiduciary funds. The financial statements include budgetary comparisons for those funds.

Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for general and special revenue funds lapse at the fiscal period end.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Sunnyside's legislative body.

The City's legislative body approved three budget amendment ordinances during the fiscal period. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Impacts to affected funds are as follows:

Fund No.	Description	Increase/ (Decrease)
001	General Fund	\$674,530
101	Street Fund	209,240
120	Investigative Fund	(650)
130	Crime Prevention Fund	73,340
140	Public Safety Tax Fund	(2,370)
160	Tourism Expansion Fund	54,000
201	General Obligation Debt Fund	(620)
303	Community Development Block Grant Fund	62,760
304	Local Capital Improvements Fund	(85,000)
305	Local Capital Improvements (REET-2) Fund	18,100
322	Fire Equipment Reserve	(20,000)
410	Water Fund	443,260
420	Sewer Fund	71,040
430	Garbage Fund	42,420
440	Ambulance Fund	2,130
450	Stormwater	7,000
501	Equipment Rental Fund	90,170
503	Public Works Service Center Fund	(3,710)
504	Data Processing Fund	8,480
611	Firemen's Relief and Pension Fund	2,700
	Total	\$1,646,820

D. CASH

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

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

E. DEPOSITS

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

Custodial credit risk for deposits is the risk that the City of Sunnyside's deposits may not be returned to it in the event of a bank failure. All City of Sunnyside deposits are insured by the FDIC up to \$250,000. All deposits not covered by FDIC insurance are covered by the WPDPC for amounts over \$250,000.

The WPDPC is a statutory authority established under Washington State Law Revised Code of Washington (RCW) Chapter 39.58. There exists a collateral arrangement amongst multiple financial institutions that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent of each institution's public deposits. Provisions of RCW 39.85, Section 60 authorize the WPDPC to make pro-rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

F. INVESTMENTS (See Note 3 – Investments)

G. DERIVATIVES AND SIMILAR TRANSACTIONS

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

H. CAPITAL ASSETS

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

I. COMPENSATED ABSENCES

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

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

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

K. OTHER FINANCING SOURCES OR USES

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

L. RISK MANAGEMENT

The City of Sunnyside is member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more government entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling

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

arrangement was made pursuant to the provisions of Chapter 39.34 RCW, Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 97 cities and 162 fire and special districts in the program.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverage is on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and public officials liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool, however, purchases a Stop Loss Policy in the amount of \$5,500,000 to reduce risk to its members.

Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new member now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31st before terminating participation the following September 1st. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member remains responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the years ended August 31, 2007 and 2008 were \$1,242,382 and \$1,321,289 respectively.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates to perform day-to-day administration of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

M. RESERVED FUND BALANCE

The City of Sunnyside has two funds with restrictions on fund balance as result of revenue bond covenants. The Water Fund maintains a \$364,000 bond reserve as required by 2005 Water/Sewer Revenue Refunding Bond covenants. The Sewer Fund maintains a \$228,500 bond reserve as required by 2007 Water/Sewer Revenue Bond covenants.

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

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

As of December 31, 2008, one major lawsuit, *Thomas R. Paul v. City of Sunnyside, et al*, was pending against the City of Sunnyside. Mr. Paul commenced the lawsuit in the United States District Court for the Eastern District of Washington, Case No. CV-08-5039-LRS, on July 2, 2008, alleging damages for deprivation of substantive due process, denial of equal protection, conspiracy to prevent his work as a building contractor in the City of Sunnyside, and interference with his freedom of speech. Plaintiff prays for general and special damages in the amount of \$3,040,000 and punitive damages in the amount of \$22,860,000. Defense has been tendered to the City's insurer and the City's insurer is contesting the case vigorously. General and special damages are covered within the City's insurance policy. The City Attorney and defense counsel share the opinion that there is no likelihood of the plaintiff prevailing on any claim.

In 2008, there have been no expenditures exceeding legal appropriations in any of the funds of the City of Sunnyside.

NOTE 3 – INVESTMENTS

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

Investments by type at December 31, 2008 are as follows:

Type of Investment	City of Sunnyside's own investments	Investments held by City of Sunnyside as an agent for other local governments, individuals or private organizations	Total
Local Government Investment Pool (LGIP)	\$6,338,797	\$318,180	\$6,656,977
Municipal Investor Account	1,293,671	0	1,293,671
Total	\$7,632,468	\$318,180	\$7,950,648

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction, the City would not be able to recover the value of the investment or collateral securities. As required by Washington State law, all investments of the City of Sunnyside's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, repurchase agreements, prime banker's acceptances, the Washington State Local Government Investment Pool or time certificates of deposit with authorized Washington State banks.

The Washington State Local Government Investment Pool, which is operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Act of 1940, is unrated.

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

NOTE 4 - PROPERTY TAXES

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

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100% of market value.
October 31	Second installment is due.

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

The City of Sunnyside's regular levy for the year 2008 was \$2.9345 per \$1,000 on an assessed valuation of \$587,709,508 for a total regular levy of \$1,724,622. In 2008, the City of Sunnyside also levied \$0.9323 per \$1,000 for payment of General Obligation Bonds for a total additional levy of \$543,220.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2008:

Borrowing Fund	Lending Fund	Balance 01/01/2008	New Loans	Repayments	Balance 12/31/2008
Sewer Fund	Water Fund	\$0	\$350,000	\$0	\$350,000
Total		\$0	\$350,000	\$0	\$350,000

At the end of 2008, the City had the following interfund loan:

- The Water Fund provided a \$350,000 interfund loan to the Sewer Fund in 2008. The purpose of the loan was to provide the Sewer Fund with additional operating funds while significant sewer utility rate increases are implemented over a period of four years. Per City of Sunnyside Ordinance 2201, interfund loan principal shall be repaid to the Water Fund from the Sewer Fund on or before December 31, 2010, with interest accruing monthly on unpaid principal for the duration of the loan.

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

NOTE 6 - LONG-TERM DEBT

The accompanying *Schedule 09 – Long-Term Debt* provides a listing of the outstanding debt of the City of Sunnyside and summarizes the City of Sunnyside’s debt transactions for 2008. The debt service requirements, including interest, are as follows:

Year	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2008	\$1,038,652	\$1,281,771	\$0	\$2,320,423
2009	1,074,811	1,078,046	0	2,152,857
2010	1,011,118	1,119,567	0	2,130,685
2011	898,726	1,106,116	0	2,004,842
2012	651,249	1,118,906	0	1,770,155
2013-2017	2,003,896	5,511,229	0	7,515,125
2018-2022	1,171,378	4,911,514	0	6,082,892
2023-2027	1,178,000	4,856,050	0	6,034,050
Total	\$9,027,830	\$20,983,199	\$0	\$30,011,029

General Obligation Debt

2007 LTGO Bonds

In 2007, the City of Sunnyside issued \$2,760,000 in Limited Tax General Obligation (LTGO) Bonds for the purpose of providing financing for the cost of land acquisition. These bonds were issued by a vote of the City Council for the purpose of financing the Monson Ranches Feedlot land purchase.

2001 UTGO Refunding Bonds

In 2001, the City of Sunnyside issued \$4,350,000 in Unlimited Tax General Obligation (UTGO) Refunding Bonds for the purpose of substantial debt service savings. These bonds refunded voter-approved UTGO bonds issued in 1990 and 1995 for the purpose of constructing the City Pool and Law & Justice Center, respectively.

Lease-Purchase Agreements

In 2006, the City of Sunnyside entered into a lease-purchase agreement with Ford Motor Credit Company for the purpose of equipment replacement. The agreement allowed for the purchase of one vehicle to be used in the Police Department.

In 2007, the City of Sunnyside entered into a lease-purchase agreement with US Bank for the purpose of equipment replacement. The agreement allowed for the purchase of six vehicles to be used in various departments.

In 2008, the City of Sunnyside entered into a lease-purchase agreement with Banner Bank for the purpose of equipment replacement. The agreement allowed for the purchase of six vehicles to be used in various departments.

Washington State LOCAL Program Loans

In 2006, the City of Sunnyside secured two loans through the Washington State Local Option Capital Asset Lending (LOCAL) Program for the purpose of equipment replacement. The first loan in the amount of \$991,850 allowed for the purchase of 26 vehicles to be used in various departments. The second loan in the amount of \$258,387 allowed for the purchase of two ambulances to be used by the Fire Department.

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

Supporting Investments in Economic Development

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

Revenue Debt

2007 Water/Sewer Revenue Bonds

In 2007, the City of Sunnyside issued \$2,285,000 in Water/Sewer Revenue Bonds for the purpose of financing capital improvements to the water and sewer systems.

2005 Water/Sewer Refunding Bonds

In 2005, the City of Sunnyside issued \$3,640,000 in Water/Sewer Revenue Refunding Bonds for the purpose of substantial debt service savings. These bonds refunded Water/Sewer Revenue Bonds issued in 1993 and 1996.

Public Works Trust Fund Loans

In 1989, the City of Sunnyside secured a \$1,118,930 Public Works Trust Fund loan from the State of Washington to finance the 1989 water system improvements. In 2004, the City of Sunnyside secured an additional \$750,000 Public Works Trust Fund loan from the State of Washington to finance the Wastewater Treatment Plant rehabilitation.

Supporting Investments in Economic Development

In 2003, the City of Sunnyside secured a \$44,400 Supporting Investment in Economic Development loan from Yakima County on the behalf of New Holland for the purpose of installing a 12-inch water pipe connecting existing City of Sunnyside lines to the New Holland property. New Holland is repaying the City of Sunnyside principal plus interest on this loan over a seven year term.

In 2005, the City of Sunnyside secured an additional \$275,000 Supporting Investment in Economic Development loan from Yakima County on the behalf of Powell Distribution for the purpose of widening a 1,320 foot stretch of Allen Road that includes curbs, gutters and sidewalks and for building a 1,230 foot long "Quail Lane" connecting two streets and for installing 350 feet of water and sewer lines to the Powell Distribution property. Powell Distribution is repaying the City of Sunnyside principal plus interest on this loan over a ten year term.

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, 2008, the City of Sunnyside has drawn a total of \$1,535,780 on this loan and remitted principal payments totaling \$141,711. Only the drawn down portion less principal and interest repayments is included in debt service figures in the chart above.

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

NOTE 7 - PENSION PLANS

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

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

statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

Local Government Pension System

The City of Sunnyside is also the administrator of a pension retirement system called the Firemen's Relief and Pension Fund. The system is shown as a trust fund in the financial statements of the City. As of December 31, 2008, there were a total of three individuals covered by this system of which none were currently employed and three were drawing benefits.

The most recent actuarial review of the system was done by Randall & Hurley, Inc. to determine the funding requirements as of December 31, 2005. As of this 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 will be sufficient to fund the plan. The City of Sunnyside will maintain the funding policy of contributing 100% of the City of Sunnyside's share of the State tax on fire insurance premiums to the Firemen's Relief and Pension Fund. In 2008, this contribution totaled \$11,682.

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

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

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.

OTHER DISCLOSURES

A. SUBSEQUENT EVENTS

Stormwater Utility Repealed

On April 13, 2009, the City of Sunnyside City Council repealed the 2009 stormwater assessment fee retroactive to January 1, 2009 and authorized refunds for all payments received. The fee was assessed on all parcels within the boundary of the City of Sunnyside and was billed on the 2009 property tax assessment invoice issued by Yakima County.

B. SIGNIFICANT ITEMS

Combined Funds

For budgetary and operating purposes, the City of Sunnyside separated the Jail and Recreation divisions from the General Fund and placed them into their own funds (005 and 006, respectively) beginning January 1, 2006. However, for reporting purposes, the City of Sunnyside can have only one General Fund. Therefore, Jail and Recreation financial activities have been combined with the General Fund for the 2008 Annual Report. All transfers amongst these three funds have been eliminated for reporting purposes.

For revenue bond reserves and redemption, and revenue bond-funded capital projects, the City of Sunnyside established the Water/Sewer Revenue Bond and the Water/Sewer Capital Projects Funds (415 and 416, respectively). The bond-funded capital project is multi-year project that began in 2008 and that continues into 2009. Until the project is completed, the bond debt proportions allocable to the Water and Sewer Funds are unknown, which is the reason the two bond funds were established. However, when reporting such proprietary activities, all of those functions must be contained in one fund. In this case, Water/Sewer Revenue Bond and Water/Sewer Capital Projects Funds' financial activities have been combined with the Sewer Fund for the 2008 Annual Report because the majority of the activities are sewer-related. All transfers amongst these three funds have been eliminated for reporting purposes. When the capital project has been completed, the two bond funds will be dissolved, and all bond reserves and redemption activities will be allocated proportionately to the Water and Sewer Funds.

Adjustment to Schedule 09 – Long-Term Debt

The City of Sunnyside transitioned from GAAP to Cash Basis reporting in 2007 and accruals required reversal during the transition. On *Schedule 09 – Long-Term Debt*, the accrual reversal for debt issued on December 13, 2005 should have resulted in an ending outstanding debt balance of \$1,198,161 as of December 31, 2007. However, the balance reported was \$1,195,022. The beginning outstanding debt balance has been corrected to \$1,198,161 on the 2008 *Schedule 09 – Long-Term Debt*.

The 2008 *Schedule 09 – Long-Term Debt* includes debt issued on January 20, 2006 that was not previously reported in 2006 or 2007.

Adjustments to Agency Funds

Based on 2007 audit feedback from the Washington State Auditor's Office, reporting of the Municipal Court agency funds cash balance now reflects outstanding checks. Therefore, the beginning balance on the 2008 *Schedule 11 – Cash Activity* does not equal the ending balance on the 2007 *Schedule 11 – Cash Activity* for Municipal Court agency funds. The difference is a result of incorporating outstanding checks into the cash balance.

CITY OF SUNNYSIDE
SCHEDULE OF LONG-TERM DEBT

 G.O. Debt

 Revenue Debt

 Assessment Debt

For The Year Ended December 31, 2008

ID No.	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 01/01/2008	(2)		(3)		(4)		
				Amount Issued in Current Year	BARS Code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/2008
251.11	09/12/2007	12/01/2027	\$2,760,000	\$0			\$0	591.19.71	201	\$2,760,000
251.15	03/05/2001	12/01/2014	2,545,000	0			430,000	591.98.71	201	2,115,000
263.53	01/20/2006	07/20/2008	10,797	0			10,797	594.48.66	501	0
263.53	07/09/2007	12/05/2011	91,474	0			22,619	591.48.66	501	68,855
263.53	08/23/2007	12/05/2011	91,474	0			8,901	591.48.66	501	9,430
263.53	07/11/2007	12/05/2009	18,331	0			2,871	591.48.66	501	9,956
263.53	01/25/2008	01/25/2012	0	12,827	N/A	N/A	3,823	591.48.66	501	7,013
263.53	01/25/2008	01/25/2008	0	10,836	N/A	N/A	0	591.48.66	501	10,836
263.53	08/19/2008	08/19/2011	0	146,601	N/A	N/A	0	591.48.66	501	146,601
263.53	08/19/2008	08/19/2013	0	54,295	N/A	N/A	0	591.48.66	501	54,295
263.81	06/01/2009	06/01/2015	0	109,192	391.80	001	0	591.95.78	001	109,192
263.96	06/15/2006	06/01/2011	714,858	0			193,549	591.48.78	501	521,309
263.96	12/15/2006	12/01/2011	210,456	0			49,482	591.48.78	501	160,974
TOTAL			\$6,350,916	\$333,751			\$722,042			\$5,962,625

CITY OF SUNNYSIDE

G.O. Debt

Revenue Debt
 Assessment Debt

SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2008

ID. No	Date of Original Issue	Date of Maturity	Beginning Outstanding Debt 01/01/2008	(2)		(3)		Receiving Fund Number	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/2008
				Amount Issued in Current Year	BARS Code for Receipt	Amount Redeemed in Current Year	BARS Code for Redemption					
252.11	09/12/2007	12/01/2027	\$2,285,000	\$0		\$0			582.35.72	420		\$2,285,000
252.15	04/26/2005	08/01/2017	1,730,000	0		42,036			582.05.72	410		
						22,964			582.05.72	420		1,665,000
263.82	07/11/1989	07/01/2009	120,154	0		60,077			582.78.78	420		60,077
263.82	12/01/2004	07/01/2008	203,125	0		203,125			582.79.78	420		0
263.82	10/17/2003	06/01/2010	19,028	0		6,343			582.01.78	410		12,685
263.82	05/23/2005	06/01/2015	230,164	0		24,702			582.01.78	410		205,462
263.82	12/13/2005	10/01/2025	1,198,161	275,229	382.80	79,321	410		582.34.78	410		1,394,069
263.82	12/21/2005	06/01/2027	12,376,640	0		634,699			582.35.78	420		11,741,941
TOTAL			\$18,162,272	\$275,229		\$1,073,267						\$17,364,234

CITY OF SUNNYSIDE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008**

1 Federal Agency Name/ Pass- Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other I.D. Number	5 Expenditures			6 Foot- note Ref.	
				From	From	Total		
				Pass-Thru Awards	Direct Awards			
Department of Justice, Office of Justice Programs, Bureau of Justice Assistance	Gang Resistance Education & Training	16.737			99,031	99,031	2	
Department of Justice, Office of Justice Programs, Bureau of Justice Assistance/pass through from WA State Dept of Community, Trade & Economic Development	Justice Assistance Grant (JAG)	16.738		7,799		7,799	2	
U.S. Department of Transportation/ pass through from WA State Department of Transportation	Highway	20.205	LA05636 South 1st Street Reconstruction	599,324		599,324	2	
U.S. Department of Transportation/ pass through from WA State Traffic Safety Commission	State and Community Highway Safety	20.600	Extra Patrols every week (X-52 Speed)	326		326		
			<i>sub-total 20.600</i>	326		326		
	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Drive Hammered Get Nailed	942		942		
		20.601	National Night Out	490		490	2	
		20.601	Extra Patrols every week (X-52 DUI)	306		306		
				<i>sub-total 20.601</i>	1,738		1,738	
	Occupant Protection Grants	20.602	NIGHT TIME SEAT BELT ENFORCEMENT	3,261		3,261		
		20.602	National Night Out	341		341	2	
20.602		LIDAR	3,248		3,248			
			<i>sub-total 20.602</i>	6,850		6,850		
U.S. Environmental Protection Agency/pass through from WA State Department of Community, Trade & Economic Development	Drinking Water State Revolving Fund (DWSRF) Loan	66.468	04-65104-035	289,476		289,476	4	
Executive Office of the President/ Office of National Drug Control Policy	HIDTA	none		1,620		1,620		
Total Federal Awards Expended				\$907,133	\$99,031	\$1,006,164		

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

CITY OF SUNNYSIDE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDING DECEMBER 31, 2008

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the same basis of accounting as the City's financial statements. The City uses the cash basis of accounting for all fund types.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – REVOLVING LOAN – PROGRAM INCOME

The City has a revolving loan program for low income housing rehabilitation. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds, to eligible recipients, are considered expenditures. All loan funds were distributed in 2004 or prior. The amount of principal and interest received in loan repayments for the year totaled \$4,510. In 2008, all program income was applied as an offset against grant expenditures for an eligible project. Grant expenditures net of program income were \$0 and therefore not included on *Schedule 16 – Expenditures of Federal Awards*.

NOTE 4 – FEDERAL LOANS

The City of Sunnyside was approved by the Environmental Protection Agency to receive a loan totaling \$4,040,000 to drill and install drinking water wells. The amount listed includes loan proceeds received during the year and loan amounts requested for reimbursement at year-end but not received until the following year. The current year loan proceeds received are also reported on the City's *Schedule 09 – Long-Term Debt*.



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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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