



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Sumas

For the period January 1, 2017 through December 31, 2018

Published December 2, 2019

Report No. 1025201





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

December 2, 2019

Mayor and City Council
City of Sumas
Sumas, Washington

Report on Financial Statements

Please find attached our report on the City of Sumas financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

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.....	4
Independent Auditor's Report on Financial Statements.....	7
Financial Section.....	10
About the State Auditor's Office.....	41

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

**City of Sumas
January 1, 2017 through December 31, 2018**

Mayor and City Council
City of Sumas
Sumas, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Sumas, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated November 22, 2019.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated November 22, 2019.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

November 22, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sumas January 1, 2017 through December 31, 2018

Mayor and City Council
City of Sumas
Sumas, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Sumas, for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investments of the City of Sumas, and its changes in cash and investments, for the years ended December 31, 2018 and 2017, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Sumas, as of December 31, 2018 and 2017, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

November 22, 2019

FINANCIAL SECTION

City of Sumas January 1, 2017 through December 31, 2018

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2018
Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Notes to Financial Statements – 2018
Notes to Financial Statements – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2018
Schedule of Liabilities – 2017

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>104 Ec. Dev. Fund</u>	<u>105 Civic Imp</u>
Beginning Cash and Investments					
30810	Reserved	566,458	46,454	94,002	15,491
30880	Unreserved	2,733,160	734,165	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,411,917	1,324,248	-	2,984
320	Licenses and Permits	92,080	92,080	-	-
330	Intergovernmental Revenues	372,895	358,918	-	-
340	Charges for Goods and Services	3,765,390	104,328	-	-
350	Fines and Penalties	56,401	56,401	-	-
360	Miscellaneous Revenues	21,779	5,341	4,319	-
Total Revenues:		<u>5,720,462</u>	<u>1,941,315</u>	<u>4,319</u>	<u>2,984</u>
Expenditures					
510	General Government	346,037	346,037	-	-
520	Public Safety	1,076,052	1,074,252	-	-
530	Utilities	3,455,924	23,099	-	-
540	Transportation	86,536	86,536	-	-
550	Natural and Economic Environment	4,426	551	-	3,875
560	Social Services	2,564	2,564	-	-
570	Culture and Recreation	45,346	45,346	-	-
Total Expenditures:		<u>5,016,886</u>	<u>1,578,386</u>	<u>-</u>	<u>3,875</u>
Excess (Deficiency) Revenues over Expenditures:		703,577	362,931	4,319	(891)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	66,254	-	66,254	-
397	Transfers-In	21,265	21,265	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	73,545	1,157	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>161,064</u>	<u>22,422</u>	<u>66,254</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	279,676	50,693	-	-
591-593, 599	Debt Service	8,778	-	-	-
597	Transfers-Out	21,265	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	73,607	1,219	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>383,325</u>	<u>51,912</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		481,315	333,441	70,573	(891)
Ending Cash and Investments					
5081000	Reserved	547,780	280,821	-	-
5088000	Unreserved	3,233,152	833,236	164,575	14,599
Total Ending Cash and Investments		3,780,933	1,114,057	164,575	14,599

The accompanying notes are an integral part of this statement.

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		<u>107 CJ Lo-Pop</u>	<u>301 REET I</u>	<u>302 REET II</u>	<u>401 Water-Sewer</u>
Beginning Cash and Investments					
30810	Reserved	24,403	205,126	172,205	-
30880	Unreserved	-	-	-	1,379,940
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	42,343	42,343	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,000	-	-	-
340	Charges for Goods and Services	-	-	-	1,126,424
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	108
Total Revenues:		<u>1,000</u>	<u>42,343</u>	<u>42,343</u>	<u>1,126,532</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	1,800	-	-	-
530	Utilities	-	-	-	919,721
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>1,800</u>	<u>-</u>	<u>-</u>	<u>919,721</u>
Excess (Deficiency) Revenues over Expenditures:		(800)	42,343	42,343	206,811
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	72,388
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>72,388</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	97,528	97,528	18,054
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	21,265
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	72,388
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>97,528</u>	<u>97,528</u>	<u>111,707</u>
Increase (Decrease) in Cash and Investments:		(800)	(55,185)	(55,185)	167,492
Ending Cash and Investments					
5081000	Reserved	-	149,940	117,019	-
5088000	Unreserved	23,603	-	-	1,547,432
Total Ending Cash and Investments		<u>23,603</u>	<u>149,940</u>	<u>117,019</u>	<u>1,547,432</u>

City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

		411 Light
Beginning Cash and Investments		
30810	Reserved	8,778
30880	Unreserved	619,056
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	12,978
340	Charges for Goods and Services	2,534,638
350	Fines and Penalties	-
360	Miscellaneous Revenues	12,011
Total Revenues:		2,559,627
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	2,513,103
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		2,513,103
Excess (Deficiency) Revenues over Expenditures:		46,524
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
Other Decreases in Fund Resources		
594-595	Capital Expenditures	15,872
591-593, 599	Debt Service	8,778
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		24,650
Increase (Decrease) in Cash and Investments:		21,874
Ending Cash and Investments		
5081000	Reserved	-
5088000	Unreserved	649,707
Total Ending Cash and Investments		649,707

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>104 Ec. Dev. Fund</u>	<u>105 Civic Imp</u>
Beginning Cash and Investments					
30810	Reserved	523,531	63,846	77,893	14,891
30880	Unreserved	2,277,818	660,235	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,349,377	1,280,252	-	2,600
320	Licenses and Permits	50,170	50,170	-	-
330	Intergovernmental Revenues	178,327	177,327	-	-
340	Charges for Goods and Services	3,796,352	96,979	-	-
350	Fines and Penalties	51,490	51,490	-	-
360	Miscellaneous Revenues	27,610	8,643	5,021	-
Total Revenues:		<u>5,453,326</u>	<u>1,664,860</u>	<u>5,021</u>	<u>2,600</u>
Expenditures					
510	General Government	368,180	368,180	-	-
520	Public Safety	1,038,483	1,036,683	-	-
530	Utilities	3,230,047	21,320	-	-
540	Transportation	92,846	92,846	-	-
550	Natural and Economic Environment	55,888	3,888	50,000	2,000
560	Social Services	2,176	2,176	-	-
570	Culture and Recreation	34,487	34,487	-	-
Total Expenditures:		<u>4,822,107</u>	<u>1,559,580</u>	<u>50,000</u>	<u>2,000</u>
Excess (Deficiency) Revenues over Expenditures:		631,219	105,281	(44,979)	600
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	61,088	-	61,088	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	96,679	717	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>157,767</u>	<u>717</u>	<u>61,088</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	132,764	49,013	-	-
591-593, 599	Debt Service	85,434	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	72,796	725	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>290,993</u>	<u>49,737</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		497,992	56,261	16,109	600
Ending Cash and Investments					
5081000	Reserved	566,458	46,454	94,002	15,491
5088000	Unreserved	2,733,161	734,165	-	-
Total Ending Cash and Investments		3,299,619	780,619	94,002	15,491

The accompanying notes are an integral part of this statement.

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

		<u>107 CJ Lo-Pop</u>	<u>301 REET I</u>	<u>302 REET II</u>	<u>401 Water-Sewer</u>
Beginning Cash and Investments					
30810	Reserved	25,203	171,863	138,942	6,558
30880	Unreserved	-	-	-	1,161,566
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	33,263	33,263	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,000	-	-	-
340	Charges for Goods and Services	-	-	-	1,140,730
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	-	231
Total Revenues:		<u>1,000</u>	<u>33,263</u>	<u>33,263</u>	<u>1,140,960</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	1,800	-	-	-
530	Utilities	-	-	-	815,150
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>1,800</u>	<u>-</u>	<u>-</u>	<u>815,150</u>
Excess (Deficiency) Revenues over Expenditures:		(800)	33,263	33,263	325,811
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	69,096
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>69,096</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	75,666
591-593, 599	Debt Service	-	-	-	38,328
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	69,096
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>183,089</u>
Increase (Decrease) in Cash and Investments:		(800)	33,263	33,263	211,818
Ending Cash and Investments					
5081000	Reserved	24,403	205,126	172,205	-
5088000	Unreserved	-	-	-	1,379,940
Total Ending Cash and Investments		<u>24,403</u>	<u>205,126</u>	<u>172,205</u>	<u>1,379,940</u>

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

		411 Light
Beginning Cash and Investments		
30810	Reserved	24,335
30880	Unreserved	456,017
388 / 588	Prior Period Adjustments, Net	-
Revenues		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	2,558,644
350	Fines and Penalties	-
360	Miscellaneous Revenues	13,716
Total Revenues:		2,572,359
Expenditures		
510	General Government	-
520	Public Safety	-
530	Utilities	2,393,577
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		2,393,577
Excess (Deficiency) Revenues over Expenditures:		178,783
Other Increases in Fund Resources		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	26,866
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		26,866
Other Decreases in Fund Resources		
594-595	Capital Expenditures	8,085
591-593, 599	Debt Service	47,106
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	2,975
581	Other Uses	-
Total Other Decreases in Fund Resources:		58,166
Increase (Decrease) in Cash and Investments:		147,483
Ending Cash and Investments		
5081000	Reserved	8,778
5088000	Unreserved	619,056
Total Ending Cash and Investments		627,834

City of Sumas
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2018

	Total for All Funds (Memo Only)	Private-Purpose Trust	Agency
308 Beginning Cash and Investments	38,397	38,355	42
388 & 588 Prior Period Adjustment, Net	-	-	-
310-390 Additions	102,371	13,779	88,591
510-590 Deductions	100,067	11,469	88,598
Net Increase (Decrease) in Cash and Investments:	2,304	2,310	(6)
508 Ending Cash and Investments	40,701	40,665	36

The accompanying notes are an integral part of this statement.

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

	Total for All Funds (Memo Only)	Private-Purpose Trust	Agency	
308	Beginning Cash and Investments	41,391	40,366	1,025
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	96,231	24,767	71,464
510-590	Deductions	99,225	26,778	72,447
	Net Increase (Decrease) in Cash and Investments:	(2,993)	(2,011)	(982)
508	Ending Cash and Investments	38,397	38,355	42

The accompanying notes are an integral part of this statement.

City of Sumas

Notes to the Financial Statements

For the year ended December 31, 2018

Note 1 – Summary of Significant Accounting Policies

The City of Sumas was incorporated in 1891 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Sumas is a general purpose local government that provides water, sewer, electrical, police and fire protection, parks, health and social, municipal court, street improvement and maintenance, and general administrative services.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

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

FIDUCIARY FUND TYPES:

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

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

Investment Trust Funds

These funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in trust.

Private-Purpose Trust Funds

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

Custodial Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3, *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 40 hours past the end of January of the following year it was earned and is payable upon separation or retirement. Sick leave may be accumulated up to 1136 hours. Upon separation or retirement employees do receive payment of 25% of unused sick leave if worked more than 10 years. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5, *Debt Service Requirements*.

G. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of Special Revenue Funds 104, 105, 107, 301 and 302. In addition, funds, 001 and 411 Beginning or Ending Cash include some reserved funds.

Note 2 – Budget Compliance

A. Budgets

The City of Sumas adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

FUND/DEPARTMENT	FINAL APPROPRIATION	ACTUAL EXPENDITURES	VARIANCE
GENERAL FUND			
Legislative	\$ 13,200.00	\$ 15,085.57	\$ (1,885.57)
Judicial	\$ 134,500.00	\$ 126,447.28	\$ 8,052.72
Executive	\$ 10,500.00	\$ 10,924.47	\$ (424.47)
Financial/Admin	\$ 105,000.00	\$ 75,140.86	\$ 29,859.14
Legal/Professional	\$ 22,500.00	\$ 24,174.84	\$ (1,674.84)
Central Services	\$ 127,050.00	\$ 98,358.84	\$ 28,691.16
Security/Police	\$ 864,239.48	\$ 838,455.34	\$ 25,784.14
Fire Control	\$ 195,000.00	\$ 194,365.00	\$ 635.00
Detention/Correct	\$ 47,800.00	\$ 37,630.70	\$ 10,169.30
Emergency Services	\$ 3,700.00	\$ 3,801.00	\$ (101.00)
Physical Environ	\$ 2,030.95	\$ 530.95	\$ 1,500.00
Economic Environ	\$ 28,200.00	\$ 20.00	\$ 28,180.00
Public Health	\$ 3,600.00	\$ 2,564.21	\$ 1,035.79
Public Facilities	\$ 336,104.57	\$ 91,944.66	\$ 244,159.91
Non-Expenditures	\$ 850.00	\$ 1,219.00	\$ (369.00)
Ending Cash	\$ 100.00	\$ -	\$ 100.00
Total Expenditures	\$ 1,894,375.00	\$ 1,520,662.72	\$ 373,712.28
STREET			
	\$ 227,500.00	\$ 86,536.13	\$ 140,963.87
CEMETERY			
	\$ 46,075.00	\$ 23,099.44	\$ 22,975.56
ECONOMIC DEV			
	\$ 154,300.00	\$ -	\$ 154,300.00
CIVIC IMPROVE			
	\$ 15,900.00	\$ 3,875.44	\$ 12,024.56
CJ LO-POP			
	\$ 25,400.00	\$ 1,800.00	\$ 23,600.00
REET I			
	\$ 168,000.00	\$ 97,528.27	\$ 70,471.73
REET II			
	\$ 135,000.00	\$ 97,528.27	\$ 37,471.73
WATER-SEWER			
	\$ 1,806,810.00	\$ 1,031,477.53	\$ 775,332.47
WS HOOKUPS			
	\$ 481,000.00	\$ -	\$ 481,000.00
STORM SEWER			
	\$ 78,215.00	\$ 14,082.39	\$ 64,132.61
LIGHT			
	\$ 2,917,750.00	\$ 2,551,199.02	\$ 366,550.98
CERB REDEMPTION			
	\$ 10,400.00	\$ 8,777.74	\$ 1,622.26
LIGHT DEPOSITS			
	\$ 36,075.00	\$ 10,534.33	\$ 25,540.67
TV DEPOSITS			
	\$ 785.00	\$ 235.00	\$ 550.00
COURT TRUST			
	\$ 13,000.00	\$ 700.00	\$ 12,300.00
TREASURERS TRUST			
	\$ -	\$ 3,445.01	\$ (3,445.01)
COURT REMIT			
	\$ 76,000.00	\$ 70,445.69	\$ 5,554.31
EMS TAX			
	\$ 15,000.00	\$ 14,707.38	\$ 292.62
Sub-Total	\$ 6,207,210.00	\$ 4,015,971.64	\$ 2,191,238.36
TOTAL BUDGET			
	\$ 8,101,585.00	\$ 5,536,634.36	\$ 2,564,950.64

Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that

alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City of Sumas legislative body.

Note 3 – Deposits and Investments

The City of Sumas does a daily cut-off and prepares a deposit. The City of Sumas no longer has a banking institution in its city limits. If staff is unable to make the daily deposit, the deposit is locked in the safe until the next available time to transport the deposit to Peoples Bank. The City of Sumas has no specific policy regarding investing cash surpluses. The interest on investments is deposited into the General Fund.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered and held by Peoples Bank.

Investments are reported at original cost. Investments by type at December 31, 2018 are as follows:

<u>Type of Investment</u>	<u>City of Sumas</u>	<u>Total</u>
Peoples Bank CD	\$100,000.00	\$100,000.00
Total	\$100,000.00	\$100,000.00

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 the City of Sumas. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Sumas regular levy for the year 2018 was \$3.076530172576 per \$1,000 on an assessed valuation of \$185,169,359 for a total regular levy of \$569,679.12.

Note 5 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Sumas and summarizes the city’s debt transactions for year ended December 31, 2018.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$8777.74	\$.00	\$8777.74
TOTALS	<u>\$8777.74</u>	\$	<u>\$8777.74</u>

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Sumas full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2, PERS 3 and LEOFF 2.

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

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

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

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

At June 30, 2018, the City of Sumas proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	31,885	0.004770%	\$213,030
PERS 2/3	47,028	0.006095%	\$104,067
LEOFF 2	24,326.48	0.014028%	(\$284,779)

LEOFF Plan 2

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

Note 7 – Risk Management

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

Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of December 1, 2018, there are 207 members in the program.**

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. Members are responsible for a \$1,000 to \$10,000 deductible for each claim, while the program is responsible for the \$100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$1,922,394.**

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

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending **December 1, 2018, were \$2,809,430.40.**

Note 8 – Health & Welfare

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

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

As of December 31, 2018, 257 cities/towns/non-city entities participate in the AWC Trust HCP.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2018, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 9 Other Disclosures

State Treasurer Distribution Checks show a variance of \$14,666. This is attributed to the amount of tax dollars the City of Sumas sends to Whatcom County under an agreement between the two. The purpose is to distribute 1/10 of one percent sales tax initiative for countywide emergency services.

City of Sumas
Notes to the Financial Statements
For the year ended December 31, 2017

Note 1 – Summary of Significant Accounting Policies

The City of Sumas was incorporated in 1891 and operates under the laws of the state of Washington applicable to a Non-Charter Code City. The City of Sumas is a general purpose local government that provides water, sewer, electrical, police and fire protection, parks, health and social, municipal court, street improvement and maintenance, and general administrative services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account assets that the government holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

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

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

C. Budgets

The City of Sumas adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level except the general (current expense) fund, where the budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

FUND/DEPARTMENT	FINAL APPROPRIATION	ACTUAL EXPENDITURES	VARIANCE
GENERAL FUND			
	End Cash 100.00		\$ 100.00
Legislative	\$ 13,250.00	\$ 14,121.20	\$ (871.20)
Judicial	\$ 142,000.00	\$ 144,814.33	\$ (2,814.33)
Executive	\$ 10,500.00	\$ 10,127.57	\$ 372.43
Financial/Admin	\$ 116,200.00	\$ 88,457.48	\$ 27,742.52
Legal/Professional	\$ 25,000.00	\$ 14,142.28	\$ 10,857.72
Central Services	\$ 112,950.00	\$ 96,516.64	\$ 16,433.36
Security/Police	\$ 923,636.51	\$ 827,417.91	\$ 96,218.60
Fire Control	\$ 175,000.00	\$ 170,777.00	\$ 4,223.00
Detention/Correct	\$ 62,000.00	\$ 34,806.57	\$ 27,193.43
Emergency Services	\$ 3,500.00	\$ 3,682.00	\$ (182.00)
Physical Environ	\$ 1,000.00	\$ 100.00	\$ 900.00
Economic Environ	\$ 32,000.00	\$ 2,638.50	\$ 29,361.50
Public Health	\$ 4,513.49	\$ 3,425.14	\$ 1,088.35
Public Facilities	\$ 371,620.00	\$ 37,116.17	\$ 334,503.83
Non-Expenditures	\$ 850.00	\$ 724.50	\$ 125.50
Transfers	\$ 37,080.00	\$ -	\$ 37,080.00
Total Expenditures	\$ 2,031,200.00	\$ 1,448,867.29	\$ 582,332.71
STREET	\$ 234,300.00	\$ 139,229.58	\$ 95,070.42
CEMETERY	\$ 47,575.00	\$ 21,220.39	\$ 26,354.61
ECONOMIC DEV	\$ 137,915.00	\$ 50,000.00	\$ 87,915.00
CIVIC IMPROVE	\$ 15,900.00	\$ 2,000.00	\$ 13,900.00
CJ LO-POP	\$ 26,200.00	\$ 1,800.00	\$ 24,400.00
REET I	\$ 134,600.00	\$ -	\$ 134,600.00
REET II	\$ 101,600.00	\$ -	\$ 101,600.00
WATER-SEWER	\$ 1,775,313.00	\$ 910,099.97	\$ 865,213.03
WS HOOKUPS	\$ 415,250.00	\$ 67,728.55	\$ 347,521.45
STORM SEWER	\$ 66,500.00	\$ 6,279.39	\$ 60,220.61
LIGHT	\$ 2,708,250.00	\$ 2,428,817.74	\$ 279,432.26
CERB REDEMPTION	\$ 10,400.00	\$ 8,777.78	\$ 1,622.22
LIGHT DEPOSITS	\$ 45,000.00	\$ 15,760.00	\$ 29,240.00
TV DEPOSITS	\$ 731.00	\$ 216.00	\$ 515.00
COURT TRUST	\$ 15,000.00	\$ 10,802.00	\$ 4,198.00
TREASURERS TRUST	\$ -	\$ 1,639.53	\$ (1,639.53)
COURT REMIT	\$ 87,080.00	\$ 56,617.06	\$ 30,462.94
EMS TAX	\$ 10,000.00	\$ 14,190.17	\$ (4,190.17)
Sub-Total	\$ 5,831,614.00	\$ 3,735,178.16	\$ 2,096,435.84
TOTAL BUDGET	\$ 7,862,814.00	\$ 5,184,045.45	\$ 2,678,768.55

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

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life more than 5 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 40 hours past the end of January of the following year it was earned and is payable upon separation or retirement. Sick leave may be accumulated up to 1136 hours. Upon separation or retirement, employees do receive payment of 25% of unused sick leave if worked more than 10 years. Payments are recognized as expenditures when paid.

As required, compensated absence values, including payroll taxes are included in Schedule 9.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of Special Revenue Funds 104, 105, 107, 301 and 302. In addition, funds, 001, 401 and 411 Beginning and Ending Cash include some reserved funds.

MCAG 0793		RESERVED FUND	INFORMATION 2017
FUND NAME	DESCRIPTION	AMOUNT	DOCUMENTATION
CURRENT EXPENSE	CBP SEIZURES	\$25,353.68	DOC EQUITABLE SHARING AGRMT
	CASH IN OFFICE	\$1,100.00	CASH IN OFFICE
	SOCCO	\$20,000.00	CREEK ENHANCEMENT
ECONOMIC DEV		\$94,002.01	ORDINANCE #1298
CIVIC IMPROV		\$15,490.67	RCW 67.28.180
CJ LOPOP		\$24,403.03	RCW 82.14.331 / SMC 2.40.210
REET I		\$205,125.68	RCW 82.46.101
REET II		\$172,205.11	RCW 82.14.030(2)0
LIGHT	CERB LOAN	\$9,000.00	CERB GRANT/RESOLUTION #505
CERB REDEMPT	CERB DEBT	\$8,777.78	CERB GRANT/RESOLUTION #505
LIGHT DEPOSITS		\$36,605.00	TRUST FUNDS
TV DEPOSITS		\$450.00	TRUST FUNDS
COURT TRUST		\$1,300.00	TRUST FUNDS
EMS REMIT		\$42.20	AGENCY FUNDS
TOTALS		\$613,855.16	

Note 2 – Deposits and Investments

The City of Sumas deposits daily to our banking institution, Peoples Bank. The City of Sumas has no specific policy regarding investing cash surpluses. The interest on investments is deposited into the general fund.

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

Investments are reported at original cost. Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	<u>City of Sumas</u>	Total
Peoples Bank CD	\$100,000.00	<u>\$100,000.00</u>
Total	\$100,000.00	<u>\$100,000.00</u>

Note 3 - Property Tax

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

Property tax revenues are recognized when cash is received by the City of Sumas. Delinquent taxes

are considered fully collectible because a lien affixes to the property after tax is levied.

The City of Sumas regular levy for the year 2017 was \$3.112741736334 per \$1,000 on an assessed valuation of \$178,437,078 for a total regular levy of \$555,428.54.

Note 4 – Debt Service Requirements

Debt Service

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$83,500.78	\$1,933.00	\$85,433.78
2018	\$8,777.74	\$.00	\$8,777.74
TOTALS	<u>\$92,278.52</u>	<u>\$1,933.00</u>	<u>\$94,211.52</u>

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City of Sumas full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans PERS 2, PERS 3 and LEOFF 2.

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

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

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

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

At June 30, 2017, the City of Sumas proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS IUAAL	\$28,197	0.004688%	\$222,449
PERS 2/3	\$36,828	0.006030%	\$209,514
LEOFF 2	\$25,159.04	0.015926%	(\$221,001)

LEOFF Plan 2

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

Note 6 – Risk Management

The City of Sumas is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2017, there are 201 members in the program.

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$1,784,067.00.

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

\$25,000 self-insured retention, in addition to the deductible.

Privacy and Network Liability coverage is offered with a \$10,000 member deductible and \$40,000 self-insured retention for systems using encryption and \$50,000 member deductible and \$50,000 self-insured retention for those without encryption.

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2017, were \$1,501,903.83.

Note 7 – Health & Welfare

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

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

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Note 8 - Other Disclosures

State Treasurer Distribution Checks show a variance of \$13,260. This is attributed to the amount of tax dollars the City of Sumas sends to Whatcom County under an agreement between the two. The purpose is to distribute 1/10 of one percent sales tax initiative for countywide emergency services.

**City of Sumas
Schedule of Liabilities
For the Year Ended December 31, 2018**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.61	CERB T-1997-040	1/1/2018	8,778	-	8,778	-
	Total General Obligation Debt/Liabilities:		8,778	-	8,778	-
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	CA/Proprietary	1/1/2018	39,048	-	1,323	37,725
259.12	CA/Government	1/1/2018	69,542	-	10,034	59,508
264.30	Net Pension Liability		431,963	-	114,866	317,097
	Total Revenue and Other (non G.O.) Debt/Liabilities:		540,553	-	126,223	414,330
	Total Liabilities:		549,331	-	135,001	414,330

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.61	EDI/Whatcom County	3/7/2022	18,680	-	18,680	-
263.61	EDI / Whatcom County	3/7/2022	18,680	-	18,680	-
263.61	EDI / WHATCOM COUNTY	3/7/2022	37,361	-	37,361	-
263.61	CERB T-1997-040	1/1/2018	17,556	-	8,778	8,778
Total General Obligation Debt/Liabilities:			92,276	-	83,498	8,778
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	CA/ Proprietary	1/1/2017	36,483	2,565	-	39,048
259.12	CA / Government	1/1/2017	76,131	-	6,589	69,542
264.30	Net Pension Liability		589,362	-	157,399	431,963
Total Revenue and Other (non G.O.) Debt/Liabilities:			701,976	2,565	163,988	540,553
Total Liabilities:			794,252	2,565	247,486	549,331

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov