



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Sumas

For the period January 1, 2019 through December 31, 2021

Published February 2, 2023

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

February 2, 2023

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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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, 2019 through December 31, 2021

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, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 27, 2023.

We issued unmodified opinions on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued adverse opinions 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 state law 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.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

January 27, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Sumas January 1, 2019 through December 31, 2021

Mayor and City Council
City of Sumas
Sumas, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the City of Sumas, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinions on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying 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, 2021, 2020 and 2019, on the basis of accounting described in Note 1.

Adverse Opinions 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, 2021, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to Adverse Opinions 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. As described in Note 1 of the financial statements, the financial statements are prepared by the City in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 state law and the BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. 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 January 27, 2023 on our consideration of the City's internal control over financial reporting and on the 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy, State Auditor

Olympia, WA

January 27, 2023

**City of Sumas
January 1, 2019 through December 31, 2021**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
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City of Sumas
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		<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					
308	Beginning Cash and Investments	4,228,182	969,979	300,246	21,047
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,656,273	1,520,375	-	4,702
320	Licenses and Permits	81,667	81,667	-	-
330	Intergovernmental Revenues	1,032,481	998,056	-	-
340	Charges for Goods and Services	3,974,901	176,483	-	-
350	Fines and Penalties	25,053	25,053	-	-
360	Miscellaneous Revenues	14,338	8,990	1,280	14
Total Revenues:		<u>6,784,713</u>	<u>2,810,624</u>	<u>1,280</u>	<u>4,716</u>
Expenditures					
510	General Government	447,585	447,394	-	-
520	Public Safety	1,971,397	1,966,000	-	-
530	Utilities	3,749,491	28,117	-	-
540	Transportation	114,373	114,373	-	-
550	Natural/Economic Environment	158,577	51,867	100,096	2,108
560	Social Services	944	944	-	-
570	Culture and Recreation	96,470	96,470	-	-
Total Expenditures:		<u>6,538,837</u>	<u>2,705,165</u>	<u>100,096</u>	<u>2,108</u>
Excess (Deficiency) Revenues over Expenditures:		245,876	105,459	(98,816)	2,608
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	90,886	37,200	23,739	-
Total Other Increases in Fund Resources:		<u>90,886</u>	<u>37,200</u>	<u>23,739</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	708,104	635,936	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	15,626	-	-	-
Total Other Decreases in Fund Resources:		<u>723,730</u>	<u>635,936</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>(386,968)</u>	<u>(493,277)</u>	<u>(75,077)</u>	<u>2,608</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	641,432	7,290	-	23,656
50841	Committed	225,168	-	225,168	-
50851	Assigned	2,940,317	435,114	-	-
50891	Unassigned	34,300	34,300	-	-
Total Ending Cash and Investments		<u>3,841,217</u>	<u>476,704</u>	<u>225,168</u>	<u>23,656</u>

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, 2021

	<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					
308	Beginning Cash and Investments	20,361	248,323	211,541	1,568,740
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	66,947	64,249	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,945	-	-	19,933
340	Charges for Goods and Services	-	-	-	1,310,168
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	11	861	837	1,738
	Total Revenues:	<u>2,956</u>	<u>67,808</u>	<u>65,086</u>	<u>1,331,839</u>
Expenditures					
510	General Government	-	102	89	-
520	Public Safety	5,397	-	-	-
530	Utilities	-	-	-	1,334,889
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
	Total Expenditures:	<u>5,397</u>	<u>102</u>	<u>89</u>	<u>1,334,889</u>
	Excess (Deficiency) Revenues over Expenditures:	<u>(2,441)</u>	<u>67,706</u>	<u>64,997</u>	<u>(3,050)</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
	Total Other Increases in Fund Resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	72,168
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
	Total Other Decreases in Fund Resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,168</u>
	Increase (Decrease) in Cash and Investments:	<u>(2,441)</u>	<u>67,706</u>	<u>64,997</u>	<u>(75,218)</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	17,919	316,029	276,538	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	1,493,524
50891	Unassigned	-	-	-	-
	Total Ending Cash and Investments	<u>17,919</u>	<u>316,029</u>	<u>276,538</u>	<u>1,493,524</u>

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, 2021

		<u>410 Storm Sewer Fund</u>	<u>411 Light</u>
Beginning Cash and Investments			
308	Beginning Cash and Investments	51,036	836,909
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	6,299	5,248
340	Charges for Goods and Services	36,572	2,451,678
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	42	565
Total Revenues:		<u>42,913</u>	<u>2,457,491</u>
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	35,637	2,350,848
540	Transportation	-	-
550	Natural/Economic Environment	-	4,506
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		<u>35,637</u>	<u>2,355,354</u>
Excess (Deficiency) Revenues over Expenditures:		7,276	102,137
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	29,947
Total Other Increases in Fund Resources:		-	<u>29,947</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	15,626
Total Other Decreases in Fund Resources:		-	<u>15,626</u>
Increase (Decrease) in Cash and Investments:		7,276	116,458
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	58,312	953,367
50891	Unassigned	-	-
Total Ending Cash and Investments		58,312	953,367

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, 2020

		<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					
308	Beginning Cash and Investments	4,101,255	1,046,607	235,148	18,340
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,456,306	1,362,035	-	2,712
320	Licenses and Permits	113,847	113,847	-	-
330	Intergovernmental Revenues	609,670	606,872	-	-
340	Charges for Goods and Services	3,999,488	184,744	-	-
350	Fines and Penalties	37,553	37,553	-	-
360	Miscellaneous Revenues	47,096	16,636	1,734	3
Total Revenues:		<u>6,263,960</u>	<u>2,321,687</u>	<u>1,734</u>	<u>2,715</u>
Expenditures					
510	General Government	389,491	389,362	-	-
520	Public Safety	1,269,237	1,266,164	-	-
530	Utilities	3,723,587	15,047	-	-
540	Transportation	86,281	86,281	-	-
550	Natural/Economic Environment	85,120	41,770	107	8
560	Social Services	2,434	1,917	-	-
570	Culture and Recreation	60,671	60,671	-	-
Total Expenditures:		<u>5,616,821</u>	<u>1,861,212</u>	<u>107</u>	<u>8</u>
Excess (Deficiency) Revenues over Expenditures:		647,139	460,475	1,627	2,707
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	79,717	1,000	63,470	-
Total Other Increases in Fund Resources:		<u>79,717</u>	<u>1,000</u>	<u>63,470</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	588,255	538,106	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	11,679	-	-	-
Total Other Decreases in Fund Resources:		<u>599,934</u>	<u>538,106</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>126,922</u>	<u>(76,631)</u>	<u>65,097</u>	<u>2,707</u>
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	510,112	8,840	-	21,047
50841	Committed	300,246	-	300,246	-
50851	Assigned	2,456,685	-	-	-
50891	Unassigned	961,139	961,139	-	-
Total Ending Cash and Investments		<u>4,228,182</u>	<u>969,979</u>	<u>300,246</u>	<u>21,047</u>

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, 2020

	<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					
308	Beginning Cash and Investments	20,633	200,638	166,588	1,551,032
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	47,149	44,410	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,798	-	-	-
340	Charges for Goods and Services	-	-	-	1,385,255
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3	606	600	256
	Total Revenues:	<u>2,801</u>	<u>47,755</u>	<u>45,010</u>	<u>1,385,511</u>
Expenditures					
510	General Government	-	71	58	-
520	Public Safety	3,073	-	-	-
530	Utilities	-	-	-	1,367,802
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
	Total Expenditures:	<u>3,073</u>	<u>71</u>	<u>58</u>	<u>1,367,802</u>
	Excess (Deficiency) Revenues over Expenditures:	(272)	47,684	44,952	17,709
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
	Total Other Increases in Fund Resources:	-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
	Total Other Decreases in Fund Resources:	-	-	-	-
	Increase (Decrease) in Cash and Investments:	(272)	47,684	44,952	17,709
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	20,361	248,323	211,541	-
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	1,568,740
50891	Unassigned	-	-	-	-
	Total Ending Cash and Investments	20,361	248,323	211,541	1,568,740

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, 2020

		<u>410 Storm Sewer Fund</u>	<u>411 Light</u>
Beginning Cash and Investments			
308	Beginning Cash and Investments	73,008	789,261
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	24,744	2,404,745
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	9	27,249
Total Revenues:		<u>24,753</u>	<u>2,431,994</u>
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	46,726	2,294,012
540	Transportation	-	-
550	Natural/Economic Environment	-	43,235
560	Social Services	-	517
570	Culture and Recreation	-	-
Total Expenditures:		<u>46,726</u>	<u>2,337,764</u>
Excess (Deficiency) Revenues over Expenditures:		(21,973)	94,230
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	15,247
Total Other Increases in Fund Resources:		-	<u>15,247</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	50,149
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	11,679
Total Other Decreases in Fund Resources:		-	<u>61,828</u>
Increase (Decrease) in Cash and Investments:		(21,973)	47,649
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	-
50841	Committed	-	-
50851	Assigned	51,036	836,909
50891	Unassigned	-	-
Total Ending Cash and Investments		51,036	836,909

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, 2019

		<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	522,064	13,713	164,575	14,599
30880	Unreserved	3,296,383	1,099,244	-	-
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,557,502	1,453,534	-	3,990
320	Licenses and Permits	119,035	119,035	-	-
330	Intergovernmental Revenues	142,541	141,541	-	-
340	Charges for Goods and Services	3,821,739	137,365	-	-
350	Fines and Penalties	55,343	55,343	-	-
360	Miscellaneous Revenues	20,215	5,993	2,982	-
Total Revenues:		<u>5,716,375</u>	<u>1,912,811</u>	<u>2,982</u>	<u>3,990</u>
Expenditures					
510	General Government	455,947	455,947	-	-
520	Public Safety	1,185,240	1,181,270	-	-
530	Utilities	3,486,866	55,304	-	-
540	Transportation	120,055	120,055	-	-
550	Natural and Economic Environment	6,088	5,838	-	250
560	Social Services	2,509	2,509	-	-
570	Culture and Recreation	70,167	70,167	-	-
Total Expenditures:		<u>5,326,872</u>	<u>1,891,090</u>	<u>-</u>	<u>250</u>
Excess (Deficiency) Revenues over Expenditures:		389,503	21,721	2,982	3,740
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	244,217	-	67,591	-
381, 382, 395, 398	Other Resources	10,407	-	-	-
Total Other Increases in Fund Resources:		<u>254,624</u>	<u>-</u>	<u>67,591</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	200,520	88,075	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	160,806	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>361,326</u>	<u>88,075</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		282,801	(66,354)	70,573	3,740
Ending Cash and Investments					
5081000	Reserved	652,310	10,963	235,148	18,340
5088000	Unreserved	3,448,945	1,035,644	-	-
Total Ending Cash and Investments		4,101,255	1,046,607	235,148	18,340

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, 2019

	<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	23,603	149,940	117,019	-
30880	Unreserved	-	-	-	1,474,947
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	50,554	49,424	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,000	-	-	-
340	Charges for Goods and Services	-	-	-	1,189,599
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	144	144	1
Total Revenues:		<u>1,000</u>	<u>50,698</u>	<u>49,568</u>	<u>1,189,600</u>
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	3,970	-	-	-
530	Utilities	-	-	-	1,036,616
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>3,970</u>	<u>-</u>	<u>-</u>	<u>1,036,616</u>
Excess (Deficiency) Revenues over Expenditures:		<u>(2,970)</u>	<u>50,698</u>	<u>49,568</u>	<u>152,984</u>
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	73,439
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>73,439</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	76,485
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	73,853
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>-</u>	<u>-</u>	<u>150,338</u>
Increase (Decrease) in Cash and Investments:		<u>(2,970)</u>	<u>50,698</u>	<u>49,568</u>	<u>76,085</u>
Ending Cash and Investments					
5081000	Reserved	20,633	200,638	166,588	-
5088000	Unreserved	-	-	-	1,551,032
Total Ending Cash and Investments		<u>20,633</u>	<u>200,638</u>	<u>166,588</u>	<u>1,551,032</u>

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, 2019

		<u>410 Storm Sewer Fund</u>	<u>411 Light</u>
Beginning Cash and Investments			
30810	Reserved	-	38,615
30880	Unreserved	72,485	649,707
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	29,784	2,464,991
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	-	10,951
Total Revenues:		<u>29,784</u>	<u>2,475,942</u>
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	29,261	2,365,685
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		<u>29,261</u>	<u>2,365,685</u>
Excess (Deficiency) Revenues over Expenditures:		523	110,257
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	103,187
381, 382, 395, 398	Other Resources	-	10,407
Total Other Increases in Fund Resources:		<u>-</u>	<u>113,594</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	35,960
591-593, 599	Debt Service	-	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	86,953
581, 582	Other Uses	-	-
Total Other Decreases in Fund Resources:		<u>-</u>	<u>122,913</u>
Increase (Decrease) in Cash and Investments:		523	100,938
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	73,008	789,261
Total Ending Cash and Investments		<u>73,008</u>	<u>789,261</u>

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, 2021

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	2,332	2,332
388 & 588	Net Adjustments	-	-
310-390	Additions	101,356	101,356
510-590	Deductions	74,540	74,540
	Net Increase (Decrease) in Cash and Investments:	26,816	26,816
508	Ending Cash and Investments	29,148	29,148

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, 2020

		Total for All Funds (Memo Only)	Custodial
		<hr/>	<hr/>
308	Beginning Cash and Investments	1,140	1,140
388 & 588	Net Adjustments	-	-
310-390	Additions	105,497	105,497
510-590	Deductions	104,306	104,306
	Net Increase (Decrease) in Cash and Investments:	<hr/>	<hr/>
		1,191	1,191
508	Ending Cash and Investments	2,332	2,332

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, 2019

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	2,086	2,086
388 & 588	Net Adjustments	-	-
310-390	Additions	104,546	104,546
510-590	Deductions	105,492	105,492
	Net Increase (Decrease) in Cash and Investments:	(946)	(946)
508	Ending Cash and Investments	1,140	1,140

The accompanying notes are an integral part of this statement.

Notes to Financial Statements – 2021

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 operating under the mayor-council plan of government. The City is a general-purpose local government and provides public safety, street improvements, parks and recreation, building inspection, municipal court, cemetery, and general administrative services. In addition, the City owns and operates public utilities for water, sewer, storm-sewer, and electric.

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

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

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 a custodian on behalf of others.

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 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 4 – *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 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 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1136 hours. Upon separation or retirement employees with 10 years or more of service will receive payment for unused sick leave at a rate of 25% of the balance. Comp leave may be accumulated up to 40 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

F. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution of the City Council. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund	Restricted/ Committed Ending Balance	Restricted by:
001 Current Expense	\$7,289.67	*Asset Seizure "Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies"
104 Economic Dev. Fund	\$225,167.99	Ordinance 1298
105 Civic Improvement Fund	\$23,655.61	RCW 67.28.180, RCW 67.28.1815, RCW 67.28.1816
107 CJ Lo-Pop Fund	\$17,918.91	RCW 82.14.330
301 REET I Fund	\$316,029.32	RCW 82.46.010(2)
302 REET II Fund	\$276,538.11	RCW 82.46.035(2)
631 Treasurer's Trust Fund	\$29,148.00	Funds held in trust pending distribution to owners

Note 2 – Budget Compliance

A. Budgets

The City adopts annual appropriated budgets for governmental and proprietary 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 and actual expenditures for the legally adopted budgets were as follows:

FUND	Final Appropriated Amounts**	Actual Expenditures	Variance
001 Current Expense Fund	\$3,290,340	\$3,128,944	\$161,396
101 Street Fund *	\$1,185,350	\$184,040	\$1,001,310
103 Cemetery Fund *	\$33,150	\$28,118	\$5,032
104 Economic Dev. Fund	\$200,200	\$100,096	\$100,104
105 Civic Improvement Fund	\$3,020	\$2,108	\$912
107 Criminal Justice Lo-Pop Fund	\$5,420	\$5,397	\$23
301 REET I Fund	\$100,200	\$100,102	\$98
302 REET II Fund	\$100,200	\$100,089	\$111
401 Water-Sewer Fund	\$1,430,000	\$1,406,347	\$23,653
403 Water-Sewer Hookups Fund*	\$300,800	\$300,707	\$93
410 Storm Sewer Fund	\$37,000	\$35,637	\$1,363
411 Light Fund	\$2,547,000	\$2,355,353	\$191,647
412 Light Deposit Fund*	\$16,000	\$15,626	\$374
Totals	\$9,248,680	\$7,762,564	\$1,486,116

*Financial Statements were prepared with funds accounted for in another fund: Funds 101 & 103 were rolled into Fund 001; Fund 403 was rolled into Fund 401; Fund 412 was rolled into 411

**Ordinance 1789

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's legislative body.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the city is unknown at this time.

Note 4 – Deposits and Investments

Investments are reported at fair value. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	City's Own Deposits & Investments	Deposits held by the City as Custodian for other local governments or individuals	Total
Bank Deposits	\$4,259,189	\$29,148	\$4,288,337
Investments	\$500,000		\$500,000
Cash on Hand (Petty Cash)	\$600		\$600
Total	\$4,759,789	\$29,148	\$4,788,937

Interest earned is prorated to the various funds.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City's deposits and certificates of deposit are mostly covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City or its agent in the government's name.

Note 5 – Other Disclosures

A. Extraordinary Events

The City of Sumas experienced a natural disaster flood event in November 2021 that caused major damage throughout the City and to multiple city owned properties including City Hall, Police Department, Public Works Offices, Senior Center/Library, Historical Society building, parks, streets, vehicles, drainage systems and utilities. The City applied for Public Assistance Grant funding from FEMA and is working with City Insurance coverages for repairs.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City 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: Public Employees’ Retirement System (PERS) and Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF).

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

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

At June 30, 2021 (the measurement date of the plans), the City’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$34,320	0.004607%	\$56,262
PERS 2/3	\$56,034	0.005915%	(\$589,229)
LEOFF 2	\$28,164	0.014128%	(\$820,613)

LEOFF Plan 2

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

Note 7 - Property Tax

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

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

The City's regular levy for the year 2021 was \$2.86 per \$1,000 on an assessed valuation of \$223,844,173 for a total regular levy of \$640,852.60.

Note 8 – Risk Management

A. Property and Liability

The City of Sumas is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 166 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations,

consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

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

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

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

B. Health and 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, 2021, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through Intermediary Insurance Services. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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 AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The

AWC 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 the report for the fiscal year ending December 31, 2018. 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.

Notes to Financial Statements – 2020

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 operating under the mayor-council plan of government. The City is a general-purpose local government and provides public safety, street improvements, parks and recreation, building inspection, municipal court, cemetery, and general administrative services. In addition, the City owns and operates public utilities for water, sewer, storm-sewer, and electric.

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

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

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 a custodian on behalf of others.

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 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 4 – Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 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 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 1136 hours. Upon separation or retirement employees with 10 years or more of service will receive payment for unused sick leave at a rate of 25% of the balance. Comp leave may be accumulated up to 40 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

F. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Ordinance or Resolution. When expenditures that meet restrictions are incurred, the City intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Fund	Restricted/ Committed Ending Balance	Restricted by:
001 Current Expense	\$8,839.67	*Asset Seizure "Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies"
104 Economic Dev. Fund	\$300,245.56	Ordinance 1298
105 Civic Improvement Fund	\$21,047.47	RCW 67.28.180, RCW 67.28.1815, RCW 67.28.1816
107 CJ Lo-Pop Fund	\$20,360.84	RCW 82.14.330
301 REET I Fund	\$248,323.07	RCW 82.46.010(2)
302 REET II Fund	\$211,540.66	RCW 82.46.035(2)
631 Treasurer's Trust Fund	\$26.50	Custodial Fund – State's portion of CPL fees
634 Court Trust Fund	\$2,305.00	Custodial Fund – Court Bonds held in trust

Note 2 – Budget Compliance

A. Budgets

The City adopts annual appropriated budgets for governmental and proprietary 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 and actual expenditures for the legally adopted budgets were as follows:

FUND	Final Appropriated Amounts	Actual Expenditures	Variance
001 Current Expense Fund	\$3,859,435	\$2,141,350.30	\$1,718,084.70
101 Street Fund *	\$1,070,200	\$245,140.04	\$825,059.96
103 Cemetery Fund *	\$35,300	\$15,048.02	\$20,251.98
104 Economic Dev. Fund	\$200,000	\$106.74	\$199,893.26
105 Civic Improvement Fund	\$5,300	\$7.72	\$5,292.28
107 Criminal Justice Lo-Pop Fund	\$4,000	\$3,073.70	\$926.30
301 REET I Fund	\$0	\$70.84	(\$70.84)
302 REET II Fund	\$0	\$57.51	(\$57.51)
401 Water-Sewer Fund	\$1,350,615	\$1,367,548.29	(\$16,933.29)
403 Water-Sewer Hookups Fund*	\$0	\$256.17	(\$256.17)
410 Storm Sewer Fund	\$34,350	\$46,726.12	(\$12,376.12)
411 Light Fund	\$2,812,215	\$2,387,914.33	\$424,300.67
412 Light Deposit Fund*	\$0	\$11,502.45	(\$11,502.45)
Totals	\$9,371,415	\$6,218,802.23	\$3,152,612.77

*Rolled Funds: Funds 101 & 103 were rolled into Fund 001; Fund 403 was rolled into Fund 401; Fund 412 was rolled into 411

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’s legislative body.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the city is unknown at this time.

Note 4 – Deposits and Investments

Deposits and investments by type at December 31, 2020 are as follows:

Type of Deposit	City’s Own Deposits & Investments
Bank Deposits	\$4,459,122
Certificates of Deposit	\$101,441
Cash on Hand (Petty Cash)	\$600
Total	\$4,561,163

Interest earned is prorated to the various funds.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City’s deposits and certificates of deposit are mostly covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the City or its agent in the government’s name.

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City 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: Public Employees’ Retirement System (PERS) and Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF).

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 98504-8380

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

At June 30, 2020 (the measurement date of the plans), the City’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$34,433	0.004751%	\$167,736
PERS 2/3	\$56,701	0.006155%	\$78,719
LEOFF 2	\$29,827	0.015247%	(\$311,017)

LEOFF Plan 2

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

Note 6 - Property Tax

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

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

The City's regular levy for the year 2020 was \$2.88 per \$1,000 on an assessed valuation of \$212,377,536 for a total regular levy of \$610,702.02.

Note 7 – Risk Management

A. Property and Liability

The City of Sumas is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 162 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy

direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

B. Health and 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, 2020, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, 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 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, 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 Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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 AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC 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 the report for the fiscal year ending December 31, 2018. 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.

Notes to Financial Statements – 2019

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 operating under the mayor-council plan of government. The City is a general-purpose local government and provides public safety, street improvements, parks and recreation, building inspection, municipal court, cemetery, and general administrative services. In addition, the City owns and operates public utilities for water, sewer, storm-sewer, and electric.

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

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

A. Fund Accounting

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

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 a custodian on behalf of others.

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 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 \$5,000 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 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1136 hours. Upon separation or retirement employees with 10 years or more of service will receive payment for unused sick leave at a rate of 25% of the balance. Comp leave may be accumulated up to 40 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid.

F. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

Fund	Reserved Balance	Restricted by:
001 Current Expense	\$10,963.09	*Asset Seizure "Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies"
104 Economic Dev. Fund	\$235,148.21	Ordinance 1298
105 Civic Improvement Fund	\$18,339.84	RCW 37.28.1815 & RCW 67.28.1816
107 CJ Lo-Pop Fund	\$20,633.03	RCW 82.14.340
301 REET I Fund	\$200,638.35	RCW 82.46.010(2)(a)
302 REET II Fund	\$166,587.72	RCW 82.46.035(3)
631 Treasurer's Trust Fund	\$383.50	Custodial Fund – State's portion of CPL fees
634 Court Trust Fund	\$756.00	Custodial Fund – Court Bonds held in trust

Note 2 – Budget Compliance

A. Budgets

The City adopts annual appropriated budgets for governmental and proprietary 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 and actual expenditures for the legally adopted budgets were as follows:

FUND	Final Appropriated Amounts	Actual Expenditures	Variance
001 Current Expense Fund	\$2,147,081.99	-\$1,770,268.06	\$376,813.93
101 Street Fund *	\$1,349,049.40	-\$153,591.12	\$1,195,458.28
103 Cemetery Fund *	\$53,575.00	-\$55,305.26	(\$1,730.26)
104 Economic Dev. Fund	\$235,146.30	-\$0.00	\$235,146.30
105 Civic Improvement Fund	\$16,500.00	-\$250.00	\$16,250.00
107 Criminal Justice Lo-Pop Fund	\$25,000.00	-\$3,970.00	\$21,030.00
301 REET I Fund	\$158,000.00	-\$0.00	\$158,000.00
302 REET II Fund	\$125,000.00	-\$0.00	\$125,000.00
401 Water-Sewer Fund	\$1,946,600.00	-\$1,142,004.31	\$804,595.69
403 Water-Sewer Hookups Fund*	\$490,000.00	-\$44,949.98	\$445,050.02
410 Storm Sewer Fund	\$92,000.00	-\$29,260.64	\$62,739.36
411 Light Fund	\$3,099,300.00	-\$2,477,783.05	\$621,516.95
Totals	\$9,737,252.69	-\$5,677,382.42	\$4,059,870.27

*Rolled Funds (combined for reporting): Funds 101 & 103 were rolled into Fund 001; Fund 403 was rolled into Fund 401

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's legislative body.

Note 3 – Deposits and Investments

Deposits and investments by type at December 31, 2019 are as follows:

Type of Deposit	City's Own Deposits & Investments
Bank Deposits	\$4,001,007.66
Certificates of Deposit	\$100,287.75
Cash on Hand (Petty Cash)	\$1,100.00
Total	\$4,102,395.41

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City's deposits and certificates of deposit are mostly covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000; the remaining balance is covered by a Peoples Bank Surety Bond on favor of the City of Sumas.

All investments are insured, registered or held by the City in the government's name.

Note 4 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City 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 Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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 98504-8380

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

At June 30, 2019 (the measurement date of the plans), the City’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$33,923	0.004731%	\$181,924
PERS 2/3	\$49,917	0.006112%	\$59,368
LEOFF 2	\$26,074	0.014142%	(\$327,627)

LEOFF Plan 2

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

Note 5 - Property Tax

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

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

The City’s regular levy for the year 2019 was \$2.89 per \$1,000 on an assessed valuation of \$203,962,886 for a total regular levy of \$588,816.99.

Note 6 – Risk Management

A. Property and Liability

As of December 1, 2019, the City of Sumas became a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 163 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

B. Health and 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, 2019, 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 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, 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 Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

Note 7 – Other Disclosures

A. 2018 Ending Fund Balance

The 2018 Ending Fund Balance was overstated by \$1,100 over the 2019 Beginning Fund Balance. A discrepancy was identified during the 2017-2018 audit for less than \$1,000 but after review and reconciling all bank statements for 2019, the 2018 balance included an addition error which added the Petty Cash fund balance of \$1,100 twice.

**City of Sumas
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		68,292	-	167	68,125
264.30	DRS Net Pension Liabilities		246,455	-	190,193	56,262
	Total Revenue and Other (non G.O.) Debt/Liabilities:		314,747	-	190,360	124,387
	Total Liabilities:		314,747	-	190,360	124,387

**City of Sumas
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		75,613	-	7,321	68,292
264.30	DRS Net Pension Liabilities		241,292	5,163	-	246,455
Total Revenue and Other (non G.O.) Debt/Liabilities:			316,905	5,163	7,321	314,747
Total Liabilities:			316,905	5,163	7,321	314,747

**City of Sumas
Schedule of Liabilities
For the Year Ended December 31, 2019**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		97,233	-	21,620	75,613
264.30	DRS Net Pension Liabilities		317,097	-	75,805	241,292
	Total Revenue and Other (non G.O.) Debt/Liabilities:		414,330	-	97,425	316,905
	Total Liabilities:		414,330	-	97,425	316,905

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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