

## **CITY OF SULTAN FINANCIAL OVERVIEW**

The City of Sultan was incorporated in 1905 and operates under the laws of the State of Washington applicable to a Code City with a Mayor/Council form of government. The City has an elected Mayor and seven (7) Council members that serve staggered four-year terms. The City uses the revenue and expenditure classifications contained in the Budgeting, Accounting and Reporting System (BARS) manual under the authority of Washington State law, Chapter 43.09 RCW.

The City is a general purpose government and provides public safety, health and social services, street improvement, parks and recreation, and general administrative services. In addition, the City owns and operates a sewer system, water system and garbage collection service.

### **Accounting and Budgeting Policies**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its cash, investments, revenues and expenditures, as appropriate. The City's resources are allocated to and accounted for in 32 individual funds depending on their intended purpose.

### **Fund Types**

General (Current Expense Fund): This fund is the primary operating fund of the City. There are fifteen departments funded by the General Fund and services include general accounting, parks, library, planning, building, legal, civil services, law enforcement and other general services.

Special Revenue Funds: These funds account for revenues that are legally restricted or designated to finance particular activities of the City. Included are the Street, Impact Fee, Drug Enforcement, C.R. Equipment, C. R. Utility fund, Community Improvement and Cemetery Funds.

Debt Service Funds: These funds account for the accumulation of resources to pay principal, interest and related costs on general long term debt. Included are the G.O. Limited Bond, LID Bond fund and the Water/Sewer Revenue Bond, and Water and Sewer System Debt funds.

Capital Project Funds: These funds account for financial resources that are designated for the acquisition or construction of capital projects. There are funds set up for Park Improvements, Capital Projects, Street Improvements, Water System Improvements and Sewer System Improvements.

Enterprise Funds: These funds account for operations that provide goods or services to the general public and are supported primarily through user charges. Included are the Water Utility, Sewer Utility and Garbage Utility Funds.

Non-expendable Trust and Agency Funds: These funds account for assets of which the principal may not be spent and for assets that the City holds for others in an agency capacity.

A matrix of the funds is provided as Appendix A to this section

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law. Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

### **Budgets**

Annual appropriated budgets are adopted at the fund level, except in the general fund, where expenditures are adopted at the department level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end except for capital project funds, which may be adopted for the length of the project.

The Finance Director is authorized to transfer budgeted amounts between object classes within departments; however, any revisions that alter the total expenditures of 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.

### **Auditing of City Finances**

The State Auditor is required to examine the affairs of the cities at least once every two years. The examination must include, among other things, the financial condition and resources of the City, whether laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor's examinations are required to be filed in the office of the State Auditor and in the Finance Department of the City.

## **Risk Management**

The City is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 30.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988. The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claims made basis". All other coverages are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official liability.

A governing board of directors is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc. to perform day to day administration of the pool.

## **Investments**

The City's investments are either insured, registered or held by the City or its agent in the City's name. As required by state law, all investments of the City are obligations of the US Government, the State Investment Pool, bankers acceptances, or deposits with Washington State banks and/or savings and loan institutions. The City has adopted an investment policy to safe guard funds and to provide for allocation of investment interest.

## **Bargaining Units**

The City has three different bargaining units. Law Enforcement personnel are covered under a Union contract that was renewed in January 2006 and will expire on December 31, 2008. Public Works and Office Employees are covered under a Union Contract that was renewed on June 1, 2006 and will expire on December 31, 2007. Non-union employees negotiate wages and benefits directly with the Mayor and Council.