



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

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

## **City of Buckley**

**Pierce County**

**For the period January 1, 2016 through December 31, 2016**

**Published September 18, 2017**

**Report No. 1019714**





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

September 18, 2017

Mayor and City Council  
City of Buckley  
Buckley, Washington

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

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Buckley**  
**Pierce County**  
**January 1, 2016 through December 31, 2016**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Buckley are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

#### Internal Control over Financial Reporting:

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

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

#### Federal Awards

#### Internal Control over Major Programs:

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

- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

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

**City of Buckley  
Pierce County  
January 1, 2016 through December 31, 2016**

Mayor and City Council  
City of Buckley  
Buckley, 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 Buckley, Pierce County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 10, 2017.

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

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated September 12, 2017.

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

August 10, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Buckley  
Pierce County  
January 1, 2016 through December 31, 2016**

Mayor and City Council  
City of Buckley  
Buckley, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the City of Buckley, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA

August 10, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Buckley Pierce County

January 1, 2016 through December 31, 2016

Mayor and City Council  
City of Buckley  
Buckley, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Buckley, Pierce County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

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

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Buckley, for the year ended December 31, 2016, on the basis of accounting described in Note 1.

### **Basis for Adverse Opinion on U.S. GAAP**

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

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Buckley, as of December 31, 2016, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

## Other Matters

### *Supplementary and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

August 10, 2017

## FINANCIAL SECTION

**City of Buckley  
Pierce County  
January 1, 2016 through December 31, 2016**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016  
Notes to Financial Statements – 2016

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2016  
Schedule of Expenditures of Federal Awards – 2016  
Notes to the Schedule of Expenditures of Federal Awards – 2016

**City of Buckley**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>101 Street Operations</u>	<u>102 Street Capital Improvements</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1,436,348	-	-	737,719
30880	Unreserved	10,805,108	7,315,842	1,600	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	3,365,962	2,481,640	-	-
320	Licenses and Permits	323,346	323,346	-	-
330	Intergovernmental Revenues	2,379,721	156,804	100,391	1,855,465
340	Charges for Goods and Services	4,977,756	498,484	12,975	217,507
350	Fines and Penalties	133,508	133,508	-	-
360	Miscellaneous Revenues	1,369,836	197,134	70,695	2,504
Total Revenues:		<u>12,550,129</u>	<u>3,790,915</u>	<u>184,061</u>	<u>2,075,476</u>
<b>Expenditures</b>					
510	General Government	1,378,705	1,378,705	-	-
520	Public Safety	2,407,755	2,094,505	-	-
530	Utilities	2,972,733	17,389	-	-
540	Transportation	213,000	-	148,658	59,673
550	Natural and Economic Environment	405,774	341,743	-	-
560	Social Services	1,182	1,182	-	-
570	Culture and Recreation	441,315	441,020	-	-
Total Expenditures:		<u>7,820,465</u>	<u>4,274,545</u>	<u>148,658</u>	<u>59,673</u>
Excess (Deficiency) Revenues over Expenditures:		4,729,665	(483,628)	35,403	2,015,803
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,551,301	570,670	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	240,984	189,796	1,581	429
381, 395, 398	Other Resources	20,000	20,000	-	-
Total Other Increases in Fund Resources:		<u>1,812,285</u>	<u>780,466</u>	<u>1,581</u>	<u>429</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,659,968	270,064	-	2,226,292
591-593, 599	Debt Service	1,055,016	-	-	-
597	Transfers-Out	1,592,476	51,798	18,983	50,837
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	281,112	277,247	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>6,588,572</u>	<u>599,109</u>	<u>18,983</u>	<u>2,277,128</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(46,622)</b>	<b>(302,271)</b>	<b>18,001</b>	<b>(260,896)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	2,000,931	-	19,600	476,823
5088000	Unreserved	10,193,903	7,013,569	-	-
<b>Total Ending Cash and Investments</b>		<b>12,194,833</b>	<b>7,013,569</b>	<b>19,600</b>	<b>476,823</b>

The accompanying notes are an integral part of this statement.

**City of Buckley**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

	<b>103 Transportation Benefit District</b>	<b>105 Emergency Medical Services</b>	<b>109 Crim Just/drug Enforcement</b>	<b>134 Fire Dept Station Construction</b>	
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	153,848	53,633	203,741
30880	Unreserved	20,901	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	86,071	194,887	73,652	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	1,290	6,374	-
340	Charges for Goods and Services	-	57,278	-	9,530
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	1,345	262	2,224
Total Revenues:		<u>86,071</u>	<u>254,800</u>	<u>80,288</u>	<u>11,754</u>
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	266,606	8,240	6,755
530	Utilities	-	-	-	-
540	Transportation	1,463	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		<u>1,463</u>	<u>266,606</u>	<u>8,240</u>	<u>6,755</u>
Excess (Deficiency) Revenues over Expenditures:		<u>84,608</u>	<u>(11,806)</u>	<u>72,048</u>	<u>4,999</u>
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	196	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>196</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	35,001	-	-	1,985
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	34,450	7,500	41,667	924
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>69,451</u>	<u>7,500</u>	<u>41,667</u>	<u>2,909</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>15,157</u></b>	<b><u>(19,110)</u></b>	<b><u>30,381</u></b>	<b><u>2,090</u></b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	36,058	134,738	84,014	205,830
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b><u>36,058</u></b>	<b><u>134,738</u></b>	<b><u>84,014</u></b>	<b><u>205,830</u></b>

**City of Buckley**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<u>136 Visitor Promo &amp; Devel</u>	<u>202 Fire Station Construction Debt Service</u>	<u>307 Capital Improvement</u>	<u>308 Comp Plan Capital Improve</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	88,050	45,099	-	-
30880	Unreserved	-	-	639,799	219,443
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	23,942	304,994	100,388	100,388
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	3,976	-	6,015	1,054
Total Revenues:		<u>27,917</u>	<u>304,994</u>	<u>106,403</u>	<u>101,442</u>
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	31,650
530	Utilities	-	-	-	151
540	Transportation	-	-	621	-
550	Natural and Economic Environment	10,656	-	151	53,224
560	Social Services	-	-	-	-
570	Culture and Recreation	295	-	-	-
Total Expenditures:		<u>10,951</u>	<u>-</u>	<u>772</u>	<u>85,024</u>
Excess (Deficiency) Revenues over Expenditures:		16,967	304,994	105,631	16,417
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	924	4,468	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	<u>924</u>	<u>4,468</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	256,009	-
591-593, 599	Debt Service	-	298,450	-	-
597	Transfers-Out	2,654	-	3,247	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>2,654</u>	<u>298,450</u>	<u>259,256</u>	<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>14,313</b>	<b>7,468</b>	<b>(149,157)</b>	<b>16,417</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	102,362	52,566	490,642	235,861
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>102,362</b>	<b>52,566</b>	<b>490,642</b>	<b>235,861</b>

**City of Buckley**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

	<u>401 Natural Gas</u>	<u>402 Water Sewer</u>	<u>403 Solid Waste</u>	<u>407 Storm Water Operations &amp;</u>
<b>Beginning Cash and Investments</b>				
30810	Reserved	-	-	-
30880	Unreserved	6,122	1,825,265	6,509
388 / 588	Prior Period Adjustments, Net	-	-	-
<b>Revenues</b>				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	259,398	-
340	Charges for Goods and Services	4,153	2,768,228	907,730
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	8	720,729	14
Total Revenues:		<u>4,162</u>	<u>3,748,354</u>	<u>907,744</u>
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	326	1,731,485	854,622
540	Transportation	-	-	2,585
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		<u>326</u>	<u>1,731,485</u>	<u>854,622</u>
Excess (Deficiency) Revenues over Expenditures:		3,835	2,016,870	53,122
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	871,546	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	19,776	1,626
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	<u>891,322</u>	<u>1,626</u>
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	-	756,192	-
591-593, 599	Debt Service	-	756,566	-
597	Transfers-Out	6,000	1,124,751	48,308
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	(121)	2,313	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>5,879</u>	<u>2,639,822</u>	<u>48,308</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(2,044)</b>	<b>268,370</b>	<b>6,440</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	-	-	-
5088000	Unreserved	4,078	2,093,635	12,949
<b>Total Ending Cash and Investments</b>		<b><u>4,078</u></b>	<b><u>2,093,635</u></b>	<b><u>12,949</u></b>
		<b><u>882,622</u></b>	<b><u>882,622</u></b>	<b><u>882,622</u></b>

**City of Buckley**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>430 Utility Equipment Reserve</b>	<b>701 Cemetery Improvement</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	154,258
30880	Unreserved	230,095	-
388 / 588	Prior Period Adjustments, Net	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	-	9,851
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	4,990	-
Total Revenues:		4,990	9,851
<b>Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	19,596	-
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		19,596	-
Excess (Deficiency) Revenues over Expenditures:		(14,606)	9,851
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	14,709	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		14,709	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	40,937	-
591-593, 599	Debt Service	-	-
597	Transfers-Out	2,210	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	1,673
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		43,148	1,673
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(43,045)</b>	<b>8,178</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	162,436
5088000	Unreserved	187,050	-
<b>Total Ending Cash and Investments</b>		<b>187,050</b>	<b>162,436</b>

**City of Buckley**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

	<u>Total for All Funds (Memo Only)</u>	<u>631 Municipal Court Trust</u>
308 Beginning Cash and Investments	22,538	22,538
388 & 588 Prior Period Adjustments, Net	-	-
310-360 Revenues	-	-
380-390 Other Increases and Financing Sources	428,080	428,080
510-570 Expenditures	-	-
580-590 Other Decreases and Financing Uses	435,228	435,228
Net Increase (Decrease) in Cash and Investments:	<u>(7,148)</u>	<u>(7,148)</u>
508 Ending Cash and Investments	15,390	15,390

*The accompanying notes are an integral part of this statement.*

**City of Buckley**  
**For the Year Ended December 31, 2016**

**Note 1 - Summary of Significant Accounting Policies**

The City of Buckley was incorporated on May 22, 1890 and operates under the laws of the state of Washington applicable to a non-charter code city (RCW 35A) with a Mayor/Council form of government. The City is a general purpose local government and provides building and planning services, street improvements, police and fire protection, as well as recreation activities, a senior citizen's program and general administrative services. In addition the City owns and operates a Water/Sewer, Storm Drain Utility and a Cemetery. The City did own and operate a Natural Gas system, but this was sold to Puget Sound Energy in June 2014, and all surplus funds from the sale were transferred in January 2015. Due to the ongoing collection of outstanding delinquent gas accounts the fund is being kept open in order to receipt any payments coming in, and those funds are then being transferred to the General Fund.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund (Fund No. 001)

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 (Funds in the 100 series)

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

Debt Service Funds (Funds in the 200 series)

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

Capital Projects Funds (Funds in the 300 series)

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

Permanent Funds (Funds in the 700 series)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (Funds in the 400 series)

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

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

C. Budgets

The City adopts Annual appropriated budgets for all funds of the city. 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 follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 4,400,000	\$ 4,462,626	\$ (62,626)
General Fund Contingency	\$ 0	\$ 0	\$ 0
General Fund Reserve	\$ 92,000	\$ 26,316	\$ 65,684
Cemetery Fund	\$ 42,627	\$ 24,489	\$ 18,138
Police Equip Reserve	\$ 193,000	\$ 84,248	\$ 108,752
Railroad ROW Reserve	\$ 31,337	\$ 16,547	\$ 14,790
Fire Equipment Reserve	\$ 847,940	\$ 14,356	\$ 833,584
Park Construction	\$ 250,000	\$ 245,072	\$ 4,928
Street Construction	\$ 215,000	\$ 167,641	\$ 47,359
Arterial Street Capital	\$ 2,875,000	\$ 2,336,801	\$ 538,199
T B D	\$ 109,000	\$ 70,914	\$ 38,086
Emergency Medical Svcs	\$ 285,000	\$ 274,106	\$ 10,894
Criminal Justice/Drug	\$ 67,000	\$ 49,906	\$ 17,094
Fire Dept Construction	\$ 2,000	\$ 9,664	\$ (7,664)
Visitor Promo &	\$ 19,028	\$ 13,605	\$ 5,423
Fire Station Bond Fund	\$ 298,450	\$ 298,450	\$ 0
Capital Improvement	\$ 469,000	\$ 260,028	\$ 208,972
Comp Plan Cap Improv	\$ 124,106	\$ 85,024	\$ 39,082
Natural Gas	\$ 6,500	\$ 6,205	\$ 295
Water/Sewer Operations	\$ 2,688,906	\$ 2,752,542	\$ (63,636)
Solid Waste Operations	\$ 910,000	\$ 902,930	\$ 7,070
Sewer Construction	\$ 920,000	\$ 1,006,454	\$ (86,454)
Water Construction	\$ 600,000	\$ 612,311	\$ (12,311)
Stormwater Operations	\$ 510,000	\$ 508,270	\$ 1,730
Stormwater Construct	\$ 735,572	\$ 116,113	\$ 619,459
Utility Equip Reserve	\$ 70,000	\$ 62,743	\$ 7,257
Municipal Court Trust	\$ 416,000	\$ 435,228	\$(19,228)
Cemetery Endowment	\$ 2,000	\$ 1,673	\$ 327
Total	\$ 17,179,466	\$ 14,844,262	\$ 2,335,204

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the city's legislative body. The city is required to record expenditures in the open period per RCW 35A.33.150. The city endeavored to project these open period costs for all funds and adopted a budget amendment in December of 2015 to meet these compliance obligations.

#### D. Cash and Investments

It is the City's policy to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transaction. The interest on these investments is posted to the fund from which the surplus arises. See note #3 for investments.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours (30 days), except under unusual circumstances and subject to approval of the department manager and the City Administrator (see section 6.04.05 below). Any unapproved accrual beyond the 240 hour limit will be forfeited by the employee.

Section 6.04.05 states that in cases where the Mayor and/or City Administrator have determined that city operations have made it impractical for an employee to use vacation time, those non-union employees may elect to take a portion of their annual carryover balance of vacation time in cash as opposed to taking the time off. The employee may only exercise the option to buy back vacation hours once in a calendar year. The buy/back payment, if chosen, will occur in December of the year in which the request is submitted. The maximum hours that may be exercised for vacation buy-back is eighty (80) hours in any calendar year, on an hour for hour basis. Upon separation from city employment, any regular status employee with more than the equivalent of six months of service shall be paid for up to a maximum of 240 hours of accrued vacation. Compensation shall be based upon the employee's salary at the time of separation and shall be subject to applicable withholding under state and federal law.

Sick leave may be accumulated up to 1760 hours for both non-union and union employees. Upon retirement, employees receive payment for 25% of unused sick leave.

The City does not record accumulated unused vacation and sick leave in its funds.

G. Long-Term Debt

See Note #4.

H. Other Financing Sources or Uses

The government's Other Financing Sources or Uses consist of debt service.

I. Risk Management

The City of Buckley is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2016, there are 205 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown,

and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, with an attachment point of \$1,718,302.

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

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear risk Solutions, who has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2016, were \$1,484,482.16.

#### J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by Council approval. 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:

\$ 19,600 Street Operations (101)

\$ 476,823 Street Capital Improvement (102) – restricted to grant projects and mitigation fees collected for traffic impact

\$ 36,058 Transportation Benefit District (103)

\$ 134,738 Special EMS Levy (105)

\$ 84,014 Criminal Justice (109) – funds restricted by RCW

\$ 205,830 Fire Department Station Construction (134)

\$ 102,362 Hotel/Motel fund (136) – RCW 67.28.1815 restricts use

\$ 52,566 GO Bond (voted) excess levy (202)  
 \$ 490,642 Capital Improvement  
 \$ 235,861 Comp Plan Capital Improvement (308)  
 \$ 162,436 Cemetery Endowment Care (Cemetery Improvement) fund (701)

**Note 2 - Property Tax**

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

Property tax revenues are recognized when cash is received by Buckley. 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 2016 was \$2.2211 per \$1,000 on an assessed valuation of \$384,652,549 for a total regular levy of \$854,357.

In 2016, the City collected \$5,000 per \$1000 for Emergency Medical Services for a total additional levy of \$192,326.

The City's excess levy for voted general obligation bonds for a Fire Station for 2016 was \$.79340 per \$1000 on an assessed valuation of \$379,804,783 for an excess levy of \$301,338.

**Note 3 – Deposits and Investments**

Deposits and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds by amount actually invested, with the amount of the interest being left in the funds to be reinvested with the bulk of the original investment.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. The City of Buckley changed banking institutions in 2016. We are now banking with U.S. Bank. The Columbia Bank account was held open until all checks could be cashed. All investments are insured, registered or held by the city or its agent in the government's name.

Investments are reported at amortized cost with the L.G.I.P. The Time Value Investment Bonds are reported at Market Value. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>City's Own</u>	<u>Investment's held</u>	<u>Total</u>
L.G.I.P.	<u>\$4,542,177</u>	<u>\$ _____</u>	<u>\$4,542,177</u>
U.S. Government Securities	<u>_____</u>	<u>_____</u>	<u>_____</u>
Time Value Invest Bonds	<u>\$ 6,571,738</u>	<u>_____</u>	<u>\$ 6,571,738</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Total	<u>\$ 11,113,915</u>	<u>\$ _____</u>	<u>\$11,113,915</u>

**Note 4 – Debt Service Requirements**

**Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City’s debt transactions for year ended December 31, 2016.

The debt service requirements for general obligation bonds, and other debt including both principle and interest, are as follows:

	General Obligation Debt	Interest	Other Debt	Interest	Total Debt
2017	\$110,000.00	\$190,300.00	\$704,915.91	\$35,245.48	\$1,040,461.39
2018	\$115,000.00	\$187,000.00	\$641,757.89	\$31,231.78	\$ 974,989.67
2019	\$115,000.00	\$183,262.50	\$607,090.65	\$27,849.65	\$ 933,202.80
2020	\$120,000.00	\$178,662.50	\$607,090.63	\$24,814.20	\$ 930,567.33
2021	\$125,000.00	\$173,862.50	\$607,090.63	\$21,778.75	\$ 927,731.88
2022-2026	\$730,000.00	\$768,812.50	\$2,916,901.85	\$63,954.70	\$4,479,669.05
2027-2031	\$905,000.00	\$594,104.69	\$732,604.45	\$11,691.57	\$2,243,400.71
2032-2036	\$1,115,000.00	\$383,525.00	\$99,152.48	\$ 495.76	\$1,598,173.24
2036-2040	\$1,080,000.00	\$120,312.52			\$1,200,312.52
Total	\$4,415,000.00	\$2,779,842.21	\$6,916,604.49	\$217,061.89	\$14,328,508.59

**Note 5 - Interfund Loans**

The City had no interfund loans for the 2016 year.

**Note 6 - Pension Plans**

Substantially all City’s full-time and qualifying part-time employees participate in either Public Employees Retirement System (PERS), or Law Enforcement Officers and Fire Fighters’ Retirement System (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

The City also participates in the Volunteer Fire Fighters’ Relief and Reserve Officers’ Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers.

Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at [www.ofm.wa.gov](http://www.ofm.wa.gov).

At June 30, 2016, the City of Buckley’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	% 0.001225	\$ 65,788
PERS1UAAL	% 0.013101	\$ 703,585
PERS2/3	% 0.016766	\$ 844,155
LEOFF 1	% 0.005105	(\$ 52,596)
LEOFF 2	% 0.032156	(\$187,029)

**LEOFF Plan 1**

The City also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

**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 – CONTINGENCIES AND LITIGATION**

In the opinion of management, the City’s insurance policies are adequate to pay all known or pending claims.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors of their representatives. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowances, if any, will be immaterial.

**Note 8 – DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with an independent plan administrator. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

Compensation deferred under the plan and all income attributable to the plan are solely the property of the City. The City’s rights to this property are subject to the claims of the City’s general creditors until paid to the employee or other beneficiary and are not restricted to the benefit provisions under the plan.

It is the opinion of the City’s legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is highly unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## **Note 9 – HEALTH & WELFARE**

The City of Buckley 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, 2016, 258 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 insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through 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. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees of its delegates. The board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

## **Note 10 – OTHER DISCLOSURES**

### **Fund Classification**

The City has several managerial funds that have been established to meet its fiscal and budgetary needs. For reporting purposes these funds are rolled to meet the BARS requirements as prescribed by the WA State Auditor's Office under RCW 43.09. The funds are:

- Current Expense (General) Fund reflects the activities of fund # 001, 002, 003, 004, 007, 008, 030 and 035
- Natural Gas Utility Fund reflects the activities of fund # 401
- Water/Sewer Utility Fund reflects the activities of fund # 402, 405 and 406
- Stormwater Utility Fund reflects the activities of fund # 407 and 408

### **Yearend Reconciliation Items**

The City has implemented several internal controls over the reconciliation of its financial transactions to the bank statements. External reviews by an independent accountant are performed on a monthly basis. The results of this external review are timely bank reconciliations for the City as a backup to the City's automated accounting software system.

### **Budget Compliance**

Incorporating the Municipal Court trust into the City's financial and budget reports has been a new requirement. The City endeavored to project a budget appropriation for this fiduciary activity for the 2016 Budget year. These funds are "fiduciary" and therefore not required to be appropriated in order to disburse. All of the monies collected are disbursed to incorporate this fiduciary fund into its annual appropriations ordinance.

### **Additional Information on Natural Gas Proceeds**

The Natural Gas Utility was sold to Puget Sound Energy in June 2014. The monies originally were deposited in to the Natural Gas Fund. In 2015 these funds were transferred in to the General Fund and then transferred in to the General Fund Contingency Fund and the Contingency Reserve Fund.

### **Transportation Benefit District**

In 2016 the Buckley City Council passed Ordinance No. 10-16, An Ordinance of the City of Buckley, Washington assuming the rights, powers, functions and obligations of the Buckley Transportation Benefit District; amending Chapter 13.18 of the Buckley Municipal Code; and providing for severability and an effective date. The Transportation Benefit District Fund number was changed from Fund 632 to Fund 103.

**City of Buckley  
Schedule of Liabilities  
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligation Debt/Liabilities</b>						
251.12	Fire Station - GO Bond (voted)	12/1/2040	4,520,000	-	105,000	4,415,000
	<b>Total General Obligation Debt/Liabilities:</b>		<b>4,520,000</b>	<b>-</b>	<b>105,000</b>	<b>4,415,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
263.82	Sewer - PW 96	6/30/2016	11,842	-	11,842	-
263.82	Sewer - PW97	6/30/2017	126,314	-	63,158	63,156
263.82	Sewer - PW98	6/30/2018	104,005	-	34,667	69,338
263.82	Sewer - PW03	6/30/2023	316,138	-	39,517	276,621
263.82	STP Upgrade - PW06	6/30/2026	3,850,000	-	350,000	3,500,000
263.82	Sewer - PC08	6/30/2028	1,539,474	-	118,421	1,421,053
263.82	Water - PC13	6/1/2032	1,685,592	-	99,152	1,586,440
259.12	Gen'l Obligation-Compensated Absence Liability	12/31/2016	357,738	28,020	-	385,758
259.12	W/S/WWTP - compensated Absence Liability	12/31/2016	48,543	4,177	-	52,720
264.30	Pension Liability	12/31/2016	1,395,786	217,743	-	1,613,529
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>9,435,432</b>	<b>249,940</b>	<b>716,757</b>	<b>8,968,615</b>
	<b>Total Liabilities:</b>		<b>13,955,432</b>	<b>249,940</b>	<b>821,757</b>	<b>13,383,615</b>

**City of Buckley**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Highway Planning and Construction Cluster</b>								
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUS-0410 (062)	1,274,052	-	1,274,052	-	
<b>Total Highway Planning and Construction Cluster:</b>				<b>1,274,052</b>	<b>-</b>	<b>1,274,052</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>1,274,052</b>	<b>-</b>	<b>1,274,052</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

CITY OF BUCKLEY  
NOTES TO FEDERAL SCHEDULE OF FINANCIAL ASSISTANCE  
For fiscal Period ending December 31, 2016

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City's financial statements. The City uses the single entry basis of accounting.

NOTE 2 – PROGRAM COSTS

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

NOTE 3 – FEDERAL LOANS

The City of Buckley was approved by the FWHA Department of Transportation to receive a loan totaling \$ 1,466,560 for the Realignment Phase 2 of SR 410/SR 165/Ryan Rd/112<sup>th</sup> St. E. The amount listed for this grant includes the proceeds used during the year and the outstanding grant balance from prior years.

NOTE 4 – Indirect Cost Rate

The City of Buckley has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>