



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Buckley

Pierce County

For the period January 1, 2014 through December 31, 2015

Published March 2, 2017

Report No. 1018607





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

March 2, 2017

Mayor and City Council
City of Buckley
Buckley, Washington

Report on Financial Statements

Please find attached our report on the City of Buckley's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**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, 2014 through December 31, 2015**

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 years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 25, 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 audits of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 of Buckley in a separate letter dated February 22, 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 initial "P" and "M".

Pat McCarthy
State Auditor
Olympia, WA

January 25, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Buckley Pierce County

January 1, 2014 through December 31, 2015

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 years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of 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 years ended December 31, 2015 and 2014, 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, 2015 and 2014, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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 25, 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

January 25, 2017

FINANCIAL SECTION

**City of Buckley
Pierce County
January 1, 2014 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2015
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Liabilities – 2014

City of Buckley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>101 Street Operations</u>
Beginning Cash and Investments				
30810	Reserved	1,377,148	-	-
30880	Unreserved	10,494,416	1,102,905	41,080
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	3,148,262	2,422,807	-
320	Licenses and Permits	282,578	282,578	-
330	Intergovernmental Revenues	732,573	254,110	93,349
340	Charges for Goods and Services	4,761,749	616,357	75,000
350	Fines and Penalties	117,880	117,673	-
360	Miscellaneous Revenues	814,555	190,527	18,510
Total Operating Revenues:		<u>9,857,597</u>	<u>3,884,053</u>	<u>186,859</u>
Operating Expenditures				
510	General Government	1,351,808	1,351,808	-
520	Public Safety	2,321,760	2,101,271	-
530	Utilities	2,746,474	36,900	-
540	Transportation	289,250	-	172,975
550	Natural and Economic Environment	445,975	349,381	-
560	Social Services	1,017	1,017	-
570	Culture and Recreation	317,534	313,498	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>7,473,818</u>	<u>4,153,875</u>	<u>172,975</u>
Net Operating Increase (Decrease):		<u>2,383,779</u>	<u>(269,821)</u>	<u>13,884</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	198,814	185,859	-
391-393	Debt Proceeds	964,143	-	-
397	Transfers-In	13,633,286	12,276,493	-
Total Nonoperating Revenues:		<u>14,796,243</u>	<u>12,462,353</u>	<u>-</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	259,596	257,231	-
591-593	Debt Service	1,062,413	-	-
594-595	Capital Expenditures	1,875,736	293,139	-
597	Transfers-Out	13,633,287	5,429,224	53,363
Total Nonoperating Expenditures:		<u>16,831,031</u>	<u>5,979,594</u>	<u>53,363</u>
Net Increase (Decrease) in Cash and Investments:		<u>348,990</u>	<u>6,212,937</u>	<u>(39,479)</u>
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	12,220,555	7,315,841	1,600
Total Ending Cash and Investments		<u>12,220,555</u>	<u>7,315,841</u>	<u>1,600</u>

The accompanying notes are an integral part of this statement.

102 Street Capital Improvements	105 Emergency Medical Services	109 Crim Just/drug Enforcement	134 Fire Dept Station Construction	136 Visitor Promo & Devel	202 Fire Station Construction Debt Service
737,771	146,591	36,841	194,294	79,204	33,823
-	-	-	-	-	-
-	-	-	-	-	-
-	179,653	69,349	-	19,158	312,303
-	-	-	-	-	-
166,510	1,341	6,192	-	-	-
79,207	6,598	-	8,797	-	-
-	-	207	-	-	-
1,286	5,671	63	960	268	-
<u>247,003</u>	<u>193,262</u>	<u>75,811</u>	<u>9,757</u>	<u>19,425</u>	<u>312,303</u>
-	-	-	-	-	-
-	179,324	8,562	-	-	-
-	-	-	-	-	-
115,326	-	-	-	-	-
-	-	-	-	8,069	-
-	-	-	-	-	-
-	-	-	-	238	-
-	-	-	-	-	-
<u>115,326</u>	<u>179,324</u>	<u>8,562</u>	<u>-</u>	<u>8,307</u>	<u>-</u>
<u>131,677</u>	<u>13,938</u>	<u>67,249</u>	<u>9,757</u>	<u>11,118</u>	<u>312,303</u>
-	871	-	-	-	-
-	-	-	-	-	-
40,000	-	-	-	-	310
<u>40,000</u>	<u>871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310</u>
-	-	-	-	-	-
-	-	-	-	-	301,338
145,324	-	-	-	-	-
26,405	7,552	50,457	310	2,273	-
<u>171,729</u>	<u>7,552</u>	<u>50,457</u>	<u>310</u>	<u>2,273</u>	<u>301,338</u>
<u>(52)</u>	<u>7,257</u>	<u>16,792</u>	<u>9,447</u>	<u>8,845</u>	<u>11,275</u>
-	-	-	-	-	-
737,719	153,848	53,633	203,741	88,050	45,099
<u>737,719</u>	<u>153,848</u>	<u>53,633</u>	<u>203,741</u>	<u>88,050</u>	<u>45,099</u>

The accompanying notes are an integral part of this statement.

307 Capital Improvement	308 Comp Plan Capital Improve	401 Natural Gas	402 Water Sewer	403 Solid Waste	407 Storm Water Operations & Maintenance Fun
-	-	-	-	-	-
447,340	250,426	6,448,487	1,473,878	17,930	445,831
-	-	-	-	-	-
72,496	72,496	-	-	-	-
-	-	-	-	-	-
-	1,800	-	152,164	-	57,107
-	-	2,324	2,661,159	859,699	446,973
-	-	-	-	-	-
3,304	377	621	379,919	102	210,055
<u>75,800</u>	<u>74,673</u>	<u>2,946</u>	<u>3,193,242</u>	<u>859,801</u>	<u>714,135</u>
-	-	-	-	-	-
-	32,602	-	-	-	-
-	731	773	1,545,380	831,023	328,831
-	-	-	-	-	949
-	88,525	-	-	-	-
-	-	-	-	-	-
-	3,798	-	-	-	-
-	-	-	-	-	-
-	<u>125,656</u>	<u>773</u>	<u>1,545,380</u>	<u>831,023</u>	<u>329,780</u>
<u>75,800</u>	<u>(50,983)</u>	<u>2,173</u>	<u>1,647,862</u>	<u>28,778</u>	<u>384,355</u>
-	-	-	4,816	-	7,267
-	-	-	964,143	-	-
139,250	20,000	-	1,081,893	-	58,757
<u>139,250</u>	<u>20,000</u>	<u>-</u>	<u>2,050,852</u>	<u>-</u>	<u>66,024</u>
-	-	(121)	2,485	-	-
-	-	-	761,075	-	-
22,056	-	-	1,250,224	-	112,032
535	-	6,444,658	1,333,542	40,199	244,646
<u>22,591</u>	<u>-</u>	<u>6,444,537</u>	<u>3,347,327</u>	<u>40,199</u>	<u>356,677</u>
<u>192,459</u>	<u>(30,983)</u>	<u>(6,442,364)</u>	<u>351,388</u>	<u>(11,421)</u>	<u>93,701</u>
-	-	-	-	-	-
639,799	219,443	6,122	1,825,265	6,509	539,532
<u>639,799</u>	<u>219,443</u>	<u>6,122</u>	<u>1,825,265</u>	<u>6,509</u>	<u>539,532</u>

The accompanying notes are an integral part of this statement.

430 Utility Equipment Reserve	701 Cemetery Improvement
-	148,624
266,540	-
-	-
-	-
-	-
-	5,635
-	-
2,892	-
<u>2,892</u>	<u>5,635</u>
-	-
-	-
2,836	-
-	-
-	-
-	-
-	-
<u>2,836</u>	<u>-</u>
56	5,635
-	-
-	-
16,583	-
<u>16,583</u>	<u>-</u>
-	-
-	-
52,961	-
123	-
<u>53,084</u>	<u>-</u>
(36,445)	5,635
-	-
230,095	154,258
<u>230,095</u>	<u>154,258</u>

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, 2014

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense</u>	<u>101 Street Operations</u>
Beginning Cash and Investments				
30810	Reserved	827,385	-	-
30880	Unreserved	5,114,536	1,180,895	71,994
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	2,778,137	2,151,924	-
320	Licenses and Permits	143,358	143,358	-
330	Intergovernmental Revenues	1,187,156	51,472	90,143
340	Charges for Goods and Services	5,825,743	480,831	52,500
350	Fines and Penalties	117,391	117,391	-
360	Miscellaneous Revenues	332,804	134,243	41
Total Operating Revenues:		<u>10,384,588</u>	<u>3,079,218</u>	<u>142,683</u>
Operating Expenditures				
510	General Government	1,086,885	1,086,885	-
520	Public Safety	2,049,940	1,795,102	-
530	Utilities	3,937,712	68,936	-
540	Transportation	152,560	-	121,013
550	Natural and Economic Environment	395,372	340,915	-
560	Social Services	689	689	-
570	Culture and Recreation	288,961	287,423	-
Total Operating Expenditures:		<u>7,912,118</u>	<u>3,579,950</u>	<u>121,013</u>
Net Operating Increase (Decrease):		<u>2,472,469</u>	<u>(500,732)</u>	<u>21,670</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	6,168,801	152,095	-
391-393	Debt Proceeds	457,969	-	-
397	Transfers-In	1,567,080	501,958	-
Total Nonoperating Revenues:		<u>8,193,850</u>	<u>654,054</u>	<u>-</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	183,828	173,893	-
591-593	Debt Service	988,614	-	-
594-595	Capital Expenditures	2,044,478	93,042	-
597	Transfers-Out	1,564,784	9,404	52,584
Total Nonoperating Expenditures:		<u>4,781,704</u>	<u>276,339</u>	<u>52,584</u>
Net Increase (Decrease) in Cash and Investments:		<u>5,884,615</u>	<u>(123,018)</u>	<u>(30,914)</u>
Ending Cash and Investments				
5081000	Reserved	639,377	-	-
5088000	Unreserved	11,187,160	1,057,878	41,080
Total Ending Cash and Investments		<u>11,826,537</u>	<u>1,057,878</u>	<u>41,080</u>

The accompanying notes are an integral part of this statement.

102 Street Capital Improvements	105 Emergency Medical Services	109 Crim Just/drug Enforcement	134 Fire Dept Station Construction	136 Visitor Promo & Devel	202 Fire Station Construction Debt Service
180,100	149,795	47,698	199,485	71,794	37,570
-	-	-	-	-	-
-	-	-	-	-	-
-	162,767	64,406	-	18,507	296,135
-	-	-	-	-	-
426,567	1,473	6,101	-	-	-
57,859	-	-	8,797	-	-
-	-	-	-	-	-
440	8,700	26	199	462	-
484,866	172,940	70,533	8,996	18,969	296,135
-	-	-	-	-	-
-	168,787	46,390	-	-	-
-	-	-	-	-	-
31,547	-	-	-	-	-
-	-	-	-	10,304	-
-	-	-	-	-	-
-	-	-	-	281	-
31,547	168,787	46,390	-	10,585	-
453,319	4,153	24,143	8,996	8,384	296,135
435,000	143	-	-	-	-
-	-	-	-	-	-
25,000	-	15,000	-	-	166
460,000	143	15,000	-	-	166
-	-	-	-	-	-
-	-	-	-	-	300,048
355,275	-	-	14,021	-	-
373	7,500	50,000	166	974	-
355,648	7,500	50,000	14,187	974	300,048
557,671	(3,204)	(10,857)	(5,191)	7,410	(3,747)
-	146,591	36,841	194,294	79,204	33,823
737,771	-	-	-	-	-
737,771	146,591	36,841	194,294	79,204	33,823

The accompanying notes are an integral part of this statement.

307 Capital Improvement	308 Comp Plan Capital Improve	401 Natural Gas	402 Water Sewer	403 Solid Waste	407 Storm Water Operations & Maintenance Fun
-	-	-	-	-	-
478,478	256,850	1,035,826	1,454,000	30,472	306,343
-	-	-	-	-	-
42,198	42,198	-	-	-	-
-	-	-	-	-	-
316,923	16,200	-	225,185	-	53,093
-	-	1,377,634	2,569,770	832,437	437,948
-	-	-	-	-	-
493	248	4,079	120,399	15	63,180
<u>359,614</u>	<u>58,647</u>	<u>1,381,713</u>	<u>2,915,353</u>	<u>832,452</u>	<u>554,222</u>
-	-	-	-	-	-
-	39,662	-	-	-	-
-	-	1,305,975	1,479,069	796,549	280,194
-	-	-	-	-	-
-	44,152	-	-	-	-
-	-	-	-	-	-
-	1,256	-	-	-	-
-	85,070	1,305,975	1,479,069	796,549	280,194
<u>359,614</u>	<u>(26,423)</u>	<u>75,738</u>	<u>1,436,284</u>	<u>35,903</u>	<u>274,028</u>
-	-	5,421,458	154,056	-	6,048
-	-	-	457,969	-	-
25,508	20,000	21,328	855,893	-	86,713
<u>25,508</u>	<u>20,000</u>	<u>5,442,786</u>	<u>1,467,918</u>	<u>-</u>	<u>92,761</u>
-	-	7,195	2,453	-	-
-	-	-	688,566	-	-
415,888	-	-	1,105,098	-	19,445
372	-	98,668	1,088,208	48,446	207,856
<u>416,260</u>	<u>-</u>	<u>105,864</u>	<u>2,884,325</u>	<u>48,446</u>	<u>227,301</u>
(31,138)	(6,423)	5,412,661	19,877	(12,543)	139,488
-	-	-	-	-	-
447,340	250,426	6,448,487	1,473,878	17,930	445,831
<u>447,340</u>	<u>250,426</u>	<u>6,448,487</u>	<u>1,473,878</u>	<u>17,930</u>	<u>445,831</u>

The accompanying notes are an integral part of this statement.

430 Utility Equipment Reserve	701 Cemetery Improvement
-	140,943
299,677	-
-	-
-	-
-	-
-	7,968
-	-
280	-
<u>280</u>	<u>7,968</u>
-	-
-	-
6,989	-
-	-
-	-
-	-
-	-
<u>6,989</u>	<u>-</u>
<u>(6,709)</u>	<u>7,968</u>
-	-
-	-
15,514	-
<u>15,514</u>	<u>-</u>
-	288
-	-
41,709	-
234	-
<u>41,943</u>	<u>288</u>
<u>(33,138)</u>	<u>7,680</u>
-	148,624
266,540	-
<u>266,540</u>	<u>148,624</u>

The accompanying notes are an integral part of this statement.

City of Buckley
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

	Total for All Funds (Memo Only)	631 Municipal Court Trust	632 Transportation Benefit District
308 Beginning Cash and Investments	19,543	8,426	11,117
388 & 588 Prior Period Adjustments, Net	-	-	-
310-360 Revenues	84,784	-	84,784
380-390 Other Increases and Financing Sources	345,495	345,495	-
510-570 Expenditures	75,000	-	75,000
580-590 Other Decreases and Financing Uses	331,383	331,383	-
Net Increase (Decrease) in Cash and Investments:	23,896	14,112	9,784
508 Ending Cash and Investments	43,439	22,538	20,901

The accompanying notes are an integral part of this statement.

City of Buckley
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

	Total for All Funds (Memo Only)	631 Municipal Court Trust	632 Transportation Benefit District
308 Beginning Cash and Investments	12,558	12,558	-
388 & 588 Prior Period Adjustments, Net	-	-	-
310-360 Revenues	63,617	-	63,617
380-390 Other Increases and Financing Sources	311,103	311,103	-
510-570 Expenditures	52,500	-	52,500
580-590 Other Decreases and Financing Uses	315,235	315,235	-
Net Increase (Decrease) in Cash and Investments:	6,985	(4,132)	11,117
508 Ending Cash and Investments	19,543	8,426	11,117

The accompanying notes are an integral part of this statement.

City of Buckley
For the Year Ended December 31, 2015

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.

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:

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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.

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

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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.

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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.

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

Agency Funds

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City 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	\$ 9,596,099	\$ 9,718,635	\$ (122,536)
General Fund Reserve	\$ 43,142	\$ 39,691	\$ 3,451
Cemetery Fund	\$ 36,000	\$ 37,900	\$ (1,900)
Police Equip Reserve	\$ 98,945	\$ 120,359	\$ (21,414)
Railroad Row Maint	\$ 32,354	\$ 11,948	\$ 20,406
Fire Equipment Reserve	\$ 791,214	\$ 195,228	\$ 595,986
Park Construction	\$ 170,000	\$ 10,342	\$ 159,658
Street Construction	\$ 206,000	\$ 226,339	\$ (20,339)
Arterial Street Capital	\$ 2,750,644	\$ 287,055	\$ 2,463,589
Emergency Medical Svcs	\$ 186,450	\$ 186,876	\$ (426)
Criminal Justice/Drug	\$ 60,000	\$ 59,019	\$ 981
Fire Dept Construction	\$ 300	\$ 310	\$ (10)
Visitor Promo & Develop	\$ 21,231	\$ 10,580	\$ 10,651
Fire Station Bond Fund	\$ 301,338	\$ 301,338	\$ 0
Capital Improvement	\$ 251,200	\$ 22,591	\$ 228,609
Comp Plan Capital Improv	\$ 153,732	\$ 125,656	\$ 28,076
Natural Gas	\$ 5,460,386	\$ 5,440,699	\$ 19,687
Water/Sewer Operations	\$ 2,718,519	\$ 2,793,807	\$ (75,288)
Solid Waste Operations	\$ 872,656	\$ 871,222	\$ 1,434
Natural Gas Capital Const	\$ 1,004,612	\$ 1,004,612	\$ 0
Sewer Construction	\$ 866,989	\$ 751,751	\$ 115,238
Water Construction	\$ 1,757,863	\$ 1,347,148	\$ 410,715
Stormwater Operations	\$ 493,018	\$ 467,752	\$ 25,266
Stormwater Construction	\$ 362,974	\$ 218,705	\$ 144,269
Utility Equipment Reserve	\$ 275,300	\$ 55,920	\$ 219,380
Municipal Court Trust	\$ 275,932	\$ 331,383	\$ (55,451)
Cemetery Endowment	\$ 1,000	\$ 0	\$ 1,000
Total	\$ 28,787,898	\$ 24,636,866	\$ 4,151,032

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 #2 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 #3.

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, 2015, there are 210 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 \$2,140,107.

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, 2015, were \$627,702.49.

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:

\$ 737,719 Street Capital Improvement (102) – restricted to grant projects and mitigation fees collected for traffic impact

\$ 153,848 Special EMS Levy (105)

\$ 53,633 Criminal Justice (109) – funds restricted by RCW

\$ 203,741 Fire Department Station Construction (134)

\$ 88,050 Hotel/Motel fund (136) – RCW 67.28.1815 restricts use

\$ 45,099 GO Bond (voted) excess levy (202)

\$ 154,258 Cemetery Endowment Care (Cemetery Improvement) fund (701)

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
2016	\$105,000.00	\$193,450.00	\$716,758.02	\$39,807.68	\$1,055,015.70
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
2021-2025	\$695,000.00	\$803,562.50	\$2,956,418.95	\$78,736.79	\$4,533,718.24
2026-2030	\$870,000.00	\$629,992.19	\$1,201,025.52	\$17,696.70	\$2,718,714.41
2031-2035	\$1,070,000.00	\$429,000.00	\$198,304.94	\$1,487.29	\$1,698,792.23
2036-2040	\$1,320,000.00	\$178,062.52			\$1,498,062.52
Total	\$4,520,000.00	\$2,973,292.21	\$7,633,362.51	\$256,869.57	\$15,383,524.29

Note 5 - Interfund Loans

The City had no interfund loans for the 2015 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.

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.

	Allocation %	Liability (Asset)
PERS 1	% 0.001295	\$ 67,741
PERS1UAAL	% 0.013488	\$ 705,548
PERS2/3	% 0.017422	\$ 622,498
LEOFF 1	% 0.005050	(\$ 60,894)
LEOFF 2	% 0.028192	(\$289,757)

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, 2015, 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 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 200-100-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- 100 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 and 404
- 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 2015 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.

The adopted budget amendment was done before the expenditures for December were completely paid. There were unexpected bills that needed to be paid in 2015 which put the General Fund, Cemetery Fund, Police Equipment Reserve Fund, Street Construction Fund, Emergency Medical Services Fund, Fire Department Construction Fund and Water Sewer Operations Fund (see Budget Note 1 (c) for further explanation) in to the negative for the year. The negative budget variance of these funds is in line item overage only, the funds were not in the negative as the funds all have ending fund balances that are budgeted in to them. Future budget monitoring will take this in to consideration so that this is not an issue in the future.

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.

City of Buckley
For the Year Ended December 31, 2014

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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	\$ 3,650,000	\$ 3,633,851	\$ 16,149
General Fund Reserve	\$ 0	\$ 0	\$ 0
Cemetery Fund	\$ 73,752	\$ 70,750	\$ 3,002
Police Equip Reserve	\$ 85,250	\$ 81,518	\$ 3,732
Railroad Row Maint	\$ 32,984	\$ 31,607	\$ 1,377
Fire Equipment Reserve	\$ 173,250	\$ 39,352	\$ 133,898
Park Construction	\$ 6,100	\$ 162	\$ 5,938
Street Construction	\$ 187,037	\$ 173,597	\$ 13,440
Arterial Street Capital	\$ 2,031,195	\$ 387,195	\$ 1,644,000
Emergency Medical Svcs	\$ 179,678	\$ 176,287	\$ 3,391
Criminal Justice/Drug	\$ 95,706	\$ 96,390	\$ (684)
Fire Dept Construction	\$ 8,626	\$ 14,157	\$ (5,561)
Visitor Promo & Develop	\$ 21,231	\$ 11,559	\$ 9,672
Fire Station Bond Fund	\$ 298,838	\$ 300,048	\$ (1,210)
Capital Improvement	\$ 881,700	\$ 416,260	\$ 465,440
Comp Plan Capital Improv	\$ 137,474	\$ 85,070	\$ 52,404
Natural Gas	\$ 1,395,540	\$ 1,407,748	\$ (12,208)
Water/Sewer Operations	\$ 2,569,580	\$ 2,465,477	\$ 104,103
Solid Waste Operations	\$ 845,149	\$ 844,995	\$ 154
Natural Gas Capital Const	\$ 4,091	\$ 4,091	\$ 0
Sewer Construction	\$ 815,359	\$ 821,140	\$ (5,781)
Water Construction	\$ 1,729,200	\$ 1,076,777	\$ 652,423
Stormwater Operations	\$ 512,988	\$ 462,542	\$ 50,446
Stormwater Construction	\$ 250,000	\$ 44,953	\$ 205,047
Utility Equipment Reserve	\$ 313,700	\$ 48,932	\$ 264,786
Municipal Court Trust	\$ 282,095	\$ 0	\$ 282,095
Cemetery Endowment	\$ 1,000	\$ 287	\$ 12,713
Transport Benefit Dist	\$ 0	\$ 52,500	\$ 52,500
Total	\$ 16,581,523	\$ 12,747,275	\$ 3,939,248

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 2014 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 #2 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 authorized 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, 2014, there are 223 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, Canfield that is subject to a per-occurrence self-insured retention of \$100,000. 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 \$3,259,396, to cap the total claims paid by the program in any one policy term.

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 August 31 terminating participation the following September 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. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1st beginning with the 2014-15 policy term. An endorsement was added to the 2013-14 Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, 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, 2014, were \$1,817,654.59.

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:

\$ 737,771 Street Capital Improvement (102) – restricted to grant projects and mitigation fees collected for traffic impact
\$ 146,591 Special EMS Levy (105)
\$ 36,841 Criminal Justice (109) – funds restricted by RCW
\$ 194,294 Fire Department Station Construction (134)
\$ 79,204 Hotel/Motel fund (136) – RCW 67.28.1815 restricts use
\$ 33,823 GO Bond (voted) excess levy (202)
\$ 148,624 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 2014 was \$2.4451 per \$1,000 on an assessed valuation of \$328,660,215 for a total regular levy of \$779,957.

In 2014, the City collected \$.5000 per \$1000 for Emergency Medical Services for a total additional levy of \$159,436.

The City's excess levy for voted general obligation bonds for a Fire Station for 2014 was \$.92676 per \$1000 on an assessed valuation of \$322,451,697 for an excess levy of \$298,838.

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

Investments are reported at amortized cost. Investments by type at December 31, 2014 are as follows:

Type of Investment

L.G.I.P.	\$11,760,870	\$ _____	\$11,760,870
U.S. Government Securities	_____	_____	_____
Other: _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	\$ <u>11,760,870</u>	\$ _____	\$ <u>11,760,870</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, 2014.

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
2015	\$105,000.00	\$196,337.50	\$710,799.23	\$53,237.36	\$1,065,374.09
2016	\$105,000.00	\$193,450.00	\$716,758.02	\$39,807.68	\$1,055,015.70
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
2020-2024	\$660,000.00	\$835,362.50	\$2,995,936.07	\$93,716.47	\$4,585,015.04
2025-2029	\$835,000.00	\$665,792.19	\$1,669,446.55	\$26,043.93	\$3,196,282.67
2030-2034	\$1,030,000.00	\$472,537.50	\$294,457.42	\$2,974.58	\$1,802,969.50
2035-2039	\$1,265,000.00	\$233,118.76			\$1,498,118.76
2040-2044	\$285,000.00	\$12,468.76			\$297,468.76
Total	\$4,625,000.00	\$3,169,629.71	\$8,344,161.74	\$310,106.93	\$16,448,898.39

Note 5 - Interfund Loans

The City had no interfund loans for the 2014 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

The City's volunteer fire department is covered by the Volunteer Fire Fighters' Relief and Pension Fund.

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, 2014, 263 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 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 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 the AWC Board of Directors President and Vice President. 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- 100-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- 100 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, 004, 007, 008, 030 and 035
- Natural Gas Utility Fund reflects the activities of fund # 401 and 404
- 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 2014 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.

The adopted budget amendment was done before the expenditures for December were completely paid, there were unexpected bills that needed to be paid in 2014 which put the Criminal Justice/Drug Fund, Fire Department Construction Fund, Fire Station Bond Fund, Natural Gas Fund, and Sewer Construction Fund (see Budget Note 1 (c) for further explanation) in to the negative for the year. The negative budget variance of these funds is in line item overage only, the funds were not in the negative as the funds all have ending fund balances that are budgeted in to them. Future budget monitoring will take this in to consideration so that this is not an issue in the future. Fund 109 Criminal Justice had additional costs that were incurred by the purchase of a new vehicle; Fund 134 Fire Department Construction fund was due to an unanticipated payment to Grace Lutheran per the Purchase Agreement; Fund 202 Fire Station Bond fund was an error in calculating bond interest payment; Fund 401 Natural Gas was due to additional costs to close the gas system after the sale to Puget Sound Energy; and Fund 406 Sewer Construction fund was additional approved professional service costs related to utility plan and grant preparation.

Additional Information on Natural Gas Sale

The City of Buckley sold the Natural Gas Utility to Puget Sound Energy in June of 2014 for a total of \$5,420,000.00. These funds were kept in the Natural Gas Fund through 2014.

City of Buckley
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.12	Fire Station - GO Bond (voted)	12/1/2040	4,652,925	-	105,000	4,547,925
Total General Obligation Debt/Liabilities:			4,652,925	-	105,000	4,547,925
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Sewer - PW96	6/30/2016	26,685	-	11,842	14,843
263.82	Sewer - PW97	6/30/2017	189,472	-	63,158	126,314
263.82	Sewer - PW98	6/30/2018	138,672	-	34,667	104,005
263.82	Sewer - PW03	6/30/2023	355,655	-	39,517	316,138
263.82	STP Upgrade - PW06	6/30/2026	4,200,000	-	350,000	3,850,000
263.82	Sewer - PC08	6/30/2028	1,657,895	-	118,421	1,539,474
263.82	Water - PC13	6/1/2032	702,334	964,143	93,194	1,573,283
259.12	Gen'l Obligation-Compensated Absence Liability	12/31/2015	343,895	13,843	-	357,738
259.12	W/S/STP - Compensated Absence Liability	12/31/2015	57,858	-	9,315	48,543
264.30	Pension Liability	12/31/2015	-	1,395,786	-	1,395,786
Total Revenue and Other (non G.O.) Debt/Liabilities:			7,672,466	2,373,772	720,114	9,326,124
Total Liabilities:			12,325,391	2,373,772	825,114	13,874,049

City of Buckley
Schedule of Liabilities
For the Year Ended December 31, 2014

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.14	Fire Station - GO Bond (voted)	12/1/2040	4,752,925	-	100,000	4,652,925
251.11	Gen'l Obligation-Compensated Absence Liability	12/31/2014	317,183	26,712	-	343,895
Total General Obligation Debt/Liabilities:			5,070,108	26,712	100,000	4,996,820
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	Sewer - PW96	6/30/2016	38,527	-	11,842	26,685
263.82	Sewer - PW97	6/30/2017	252,630	-	63,158	189,472
263.82	Sewer - PW98	6/30/2018	173,339	-	34,667	138,672
263.82	Sewer - PW03	6/30/2023	395,172	-	39,517	355,655
263.82	STP Upgrade - PW06	6/30/2026	4,550,000	-	350,000	4,200,000
263.82	Sewer - PC08	6/30/2028	1,776,316	-	118,421	1,657,895
263.82	Water - PC13	6/1/2032	270,579	457,969	26,214	702,334
259.12	Natural Gas Fund Compensated Absence	12/31/2014	10,857	-	10,857	-
259.12	W/S/STP - Compensated Absence Liability	12/31/2014	45,750	12,108	-	57,858
Total Revenue and Other (non G.O.) Debt/Liabilities:			7,513,170	470,077	654,676	7,328,571
Total Liabilities:			12,583,278	496,789	754,676	12,325,391

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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