



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Langley

Island County

For the period January 1, 2013 through December 31, 2014

Published February 1, 2016

Report No. 1015901





Washington State Auditor's Office

February 1, 2016

Council
City of Langley
Langley, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Langley'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,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

City of Langley Island County January 1, 2014 through December 31, 2014

The results of our audit of the City of Langley are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

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 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 under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Langley Island County

January 1, 2014 through December 31, 2014

2014-001 The City's internal controls are inadequate to ensure federal expenditures are accurately reported on the Schedule of Expenditures of Federal Awards.

Background

Entity management, the State Legislature, state and federal agencies and bondholders rely on the information included in financial statements and reports to make decisions. City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. The control system must ensure that financial data is reliably authorized, processed and reported.

We identified a material weakness in controls that adversely affects the City's ability to produce a reliable Schedule of Expenditures of Federal Awards (SEFA), which is supplemental information required to be included in the City's financial statements and is part of the audit report required by the federal government. This Schedule is to include all federal program expenditures by the City for each fiscal year.

Description of Condition

Our audit determined internal controls were inadequate to ensure the SEFA accurately reported all federal expenditures. We identified the following internal control deficiencies that, when taken together, represent a material weakness:

- The City procedures for preparing the SEFA are not adequate to ensure all federal program expenditures are identified and reported.

Cause of Condition

The City received a contract award from the Washington Department of Transportation which included both state and federal funding. Due to a lack of communication between the individual overseeing the project and the individual preparing the schedule, the City overlooked the federal portion of this award

when preparing their SEFA. Individuals responsible for reviewing the SEFA did not detect the omission.

Effect of Condition

The City did not report \$388,662 in federal expenditures on the SEFA. Due to this error, we were required to perform additional procedures and audit this program to complete the federal audit. Had our audit not identified this error, the City would not have received an audit of federal programs as required by the Single Audit Act. The omission of the expenditures on the SEFA affected the amount of audit coverage required, and delayed the audit beyond the required nine-month reporting deadline.

If omissions or other errors are made and not identified, the City could not have an audit of federal programs when required, jeopardize future federal funding and report its financial information inaccurately to citizens and other governments.

Recommendation

We recommend the City develop procedures to ensure all federal program expenditures are identified and reported on the Schedule of Expenditures of Federal Awards.

City's Response

The City had both Federal and State grants for a street project. A federal grant payment received by the City was receipted as a state grant payment. In the future, the Finance Director will review all grant receipts to make sure they are coded correctly in the City's financial software.

Auditor's Remarks

We appreciate the steps the City is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section 300, states in part:

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award

number and year, name of the Federal agency, and name of the pass-through entity.

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___ .310 . . .

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budget Accounting and Reporting System Manual – Supplemental Schedules (Schedule 16), states in part:

4.8.5.20 The purpose of this schedule is to summarize federal grant expenditures as a basis for planning and conducting the single audit. It also serves to provide assurance to those agencies that award financial assistance that their programs or grants were included in the audit. It is important to prepare this schedule carefully to ensure that it is accurate and complete. Any program or grant omitted from this schedule will be considered unaudited. This schedule should be prepared on the same basis of accounting as the financial statements.

4.8.5.30 Include on this schedule all expenditures of federal awards that were received directly from a federal agency and indirectly (pass-through) from a state agency or local government.

4.8.5.130 Use the following guidelines to calculate the value of federal awards expended under loan programs:

- (1) Amount of new loans made or received during the fiscal year, plus
- (2) Balance of loans from previous years for which the federal government imposes continuing compliance requirements, plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines material weaknesses and significant deficiencies in its *Codification of Statements on Auditing Standards*, Section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows: . . .

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

**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 Langley
Island County
January 1, 2013 through December 31, 2014**

Council
City of Langley
Langley, 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 Langley, Island County, Washington, as of and for the years ended December 31, 2013 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 December 21, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2014-001 to be material weaknesses.

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*.

CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 21, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Langley
Island County
January 1, 2014 through December 31, 2014**

Council
City of Langley
Langley, Washington

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

We have audited the compliance of the City of Langley, Island County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. 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.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 21, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Langley Island County January 1, 2013 through December 31, 2014

Council
City of Langley
Langley, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Langley, Island County, Washington, for the years ended December 31, 2013 and 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 20.

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 Langley 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 Langley, for the years ended December 31, 2013 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 Langley, as of December 31, 2013 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedules of Liabilities are 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 December 21, 2015 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'X'.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 21, 2015

FINANCIAL SECTION

**City of Langley
Island County
January 1, 2013 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2014
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

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

		Total for All Funds (Memo Only)	001 General Government Fund	101 Street Fund
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	2,339,474	414,157	61,256
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	1,138,777	976,571	-
320	Licenses and Permits	77,112	76,272	840
330	Intergovernmental Revenues	1,532,272	13,790	1,518,482
340	Charges for Goods and Services	1,201,569	28,088	-
350	Fines and Penalties	5,435	5,435	-
360	Miscellaneous Revenues	72,756	49,796	1,195
Total Operating Revenues:		<u>4,027,921</u>	<u>1,149,953</u>	<u>1,520,516</u>
Operating Expenditures				
510	General Government	483,292	483,292	-
520	Public Safety	392,181	392,181	-
530	Utilities	644,772	2,920	-
540	Transportation	87,322	-	87,322
550	Natural and Economic Environment	248,833	168,263	-
560	Social Services	196	196	-
570	Culture and Recreation	55,161	55,161	-
Total Operating Expenditures:		<u>1,911,757</u>	<u>1,102,013</u>	<u>87,322</u>
Net Operating Increase (Decrease):		<u>2,116,164</u>	<u>47,940</u>	<u>1,433,194</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	60,514	278	-
391-393	Debt Proceeds	412,400	-	412,400
397	Transfers-In	490,677	224,495	175,012
Total Nonoperating Revenues:		<u>963,591</u>	<u>224,773</u>	<u>587,412</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	108,480	33,746	-
594-595	Capital Expenditures	2,612,787	26,943	2,075,852
597	Transfers-Out	490,677	229,182	48,674
Total Nonoperating Expenditures:		<u>3,211,944</u>	<u>289,871</u>	<u>2,124,526</u>
Net Increase (Decrease) in Cash and Investments:		<u>(132,189)</u>	<u>(17,158)</u>	<u>(103,920)</u>
Ending Cash and Investments				
50810	Reserved	-	-	-
50880	Unreserved	2,264,754	397,000	14,806

The accompanying notes are an integral part of this statement.

104 Cemetery Fund	105 Tourism Fund	201 GO Bond '94	303 Capital Reserve Fund	401 Water Fund	402 Sewer Fund
-	-	-	-	-	-
14,208	111,291	1	330,845	787,262	402,680
-	-	-	-	-	-
-	124,554	-	37,651	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,491	-	-	3,660	591,417	345,127
-	-	-	-	-	-
219	152	-	541	2,961	17,620
<u>9,710</u>	<u>124,706</u>	<u>-</u>	<u>41,851</u>	<u>594,378</u>	<u>362,748</u>
-	-	-	-	-	-
-	-	-	-	-	-
5,365	-	-	-	215,997	318,461
-	-	-	-	-	-
-	80,570	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,365</u>	<u>80,570</u>	<u>-</u>	<u>-</u>	<u>215,997</u>	<u>318,461</u>
4,345	44,136	-	41,851	378,381	44,287
-	-	-	-	30,760	29,476
-	-	-	-	-	-
-	-	32,170	29,000	-	-
-	-	<u>32,170</u>	<u>29,000</u>	<u>30,760</u>	<u>29,476</u>
-	-	-	-	-	-
-	-	32,167	-	31,768	-
360	-	-	138,957	290,271	1,405
1,848	-	-	-	105,510	67,124
<u>2,208</u>	<u>-</u>	<u>32,167</u>	<u>138,957</u>	<u>427,549</u>	<u>68,529</u>
2,137	44,136	3	(68,106)	(18,408)	5,234
-	-	-	-	-	-
16,344	155,426	4	262,739	768,854	407,913

The accompanying notes are an integral part of this statement.

<u>403 Stormwater Utility Fund</u>	<u>406 PW Vehicle & Equip Reserve</u>
-	-
127,143	90,633
-	-
-	-
-	-
-	-
223,786	-
-	-
123	150
<u>223,909</u>	<u>150</u>
-	-
-	-
102,028	-
-	-
-	-
-	-
-	-
<u>102,028</u>	<u>-</u>
<u>121,881</u>	<u>150</u>
-	-
-	-
-	30,000
<u>-</u>	<u>30,000</u>
-	-
10,800	-
79,000	-
38,339	-
<u>128,139</u>	<u>-</u>
<u>(6,258)</u>	<u>30,150</u>
-	-
120,885	120,783

The accompanying notes are an integral part of this statement.

City of Langley
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		<u>Total for All Funds (Memo Only)</u>	<u>001 General Government Fund</u>	<u>101 Street Fund</u>
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	2,172,512	345,030	39,928
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	1,061,955	922,275	-
320	Licenses & Permits	93,821	93,021	800
330	Intergovernmental Revenues	318,761	29,941	288,820
340	Charges for Goods and Services	1,188,206	42,029	-
350	Fines & Penalties	5,760	5,760	-
360	Miscellaneous Revenues	82,209	47,368	2,064
Total Operating Revenues:		<u>2,750,712</u>	<u>1,140,394</u>	<u>291,684</u>
Operating Expenditures				
510	General Government	498,538	498,538	-
520	Public Safety	402,892	402,892	-
530	Utilities	625,443	18,376	-
540	Transportation	112,384	-	112,384
550	Natural and Economic Environment	264,786	172,448	-
560	Social Services	190	190	-
570	Culture And Recreation	38,303	38,303	-
Total Operating Expenditures:		<u>1,942,535</u>	<u>1,130,746</u>	<u>112,384</u>
Net Operating Increase (Decrease):		808,176	9,647	179,300
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	100,616	194	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	385,792	196,420	55,012
Total Nonoperating Revenues:		<u>486,408</u>	<u>196,614</u>	<u>55,012</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	87,213	-	-
594-595	Capital Expenditures	654,619	30,963	187,161
597	Transfers-Out	385,792	106,172	25,823
Total Nonoperating Expenditures:		<u>1,127,624</u>	<u>137,135</u>	<u>212,984</u>
Net Increase (Decrease) in Cash and Investments:		166,960	69,126	21,328
Ending Cash and Investments				
50810	Reserved	-	-	-
50880	Unreserved	2,339,474	414,157	61,256

The accompanying notes are an integral part of this statement.

104 Cemetery Fund	105 Tourism Fund	201 GO Bond '94 (City Hall/Library)	303 Capital Reserve Fund	401 Water Fund	402 Sewer Fund
-	-	-	-	-	-
13,436	92,225	2	280,283	834,099	357,443
-	-	-	-	-	-
-	116,242	-	23,438	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,494	-	-	2,556	593,560	328,292
-	-	-	-	-	-
105	161	-	568	12,835	18,830
8,599	116,403	-	26,562	606,395	347,122
-	-	-	-	-	-
-	-	-	-	-	-
4,630	-	-	-	228,334	271,263
-	-	-	-	-	-
-	92,338	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,630	92,338	-	-	228,334	271,263
3,969	24,065	-	26,562	378,061	75,859
-	-	-	-	40,824	59,599
-	-	-	-	-	-
-	-	34,160	24,000	-	5,000
-	-	34,160	24,000	40,824	64,599
-	-	-	-	-	-
-	-	34,162	-	32,642	9,327
1,075	-	-	-	353,834	-
2,122	5,000	-	-	79,246	85,894
3,197	5,000	34,162	-	465,722	95,221
772	19,065	(2)	50,562	(46,837)	45,237
-	-	-	-	-	-
14,208	111,291	1	330,845	787,262	402,680

The accompanying notes are an integral part of this statement.

<u>403 Stormwater Utility Fund</u>	<u>406 PW Vehicle & Equip Reserve</u>
-	-
69,177	140,890
-	-
-	-
-	-
-	-
213,275	-
-	-
148	130
<u>213,423</u>	<u>130</u>
-	-
-	-
102,840	-
-	-
-	-
-	-
-	-
<u>102,840</u>	<u>-</u>
<u>110,583</u>	<u>130</u>
-	-
-	-
40,000	31,200
<u>40,000</u>	<u>31,200</u>
-	-
11,081	-
-	81,587
81,535	-
<u>92,616</u>	<u>81,587</u>
<u>57,967</u>	<u>(50,257)</u>
-	-
127,143	90,633

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	625 Scott Memorial Fund
308	Beginning Cash and Investments	3,225	3,225
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	3	3
380-390	Other Increases and Financing Sources	-	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	-
Net Increase (Decrease) in Cash and Investments:		3	3
508	Ending Cash and Investments	3,228	3,228

The accompanying notes are an integral part of this statement.

City of Langley
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2013

		Total for All Funds (Memo Only)	625 Scott Memorial Fund
308	Beginning Cash and Investments	3,220	3,220
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	5	5
380-390	Other Increases and Financing Sources	-	-
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	-	-
Net Increase (Decrease) in Cash and Investments:		5	5
508	Ending Cash and Investments	3,225	3,225

The accompanying notes are an integral part of this statement.

CITY OF LANGLEY
MCAG NO. 0359
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The City of Langley was incorporated on February 26, 1913 and operates under the laws of the state of Washington applicable to a code city. The City of Langley is a general purpose government and provides police protection, streets, a library, cemetery, parks and water, sewer and storm water services.

The City of Langley 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 statement, 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 (Current Expense) Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account assets that City of Langley holds for others in an agency 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 of Langley adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund	\$1,768,561	\$1,391,884	\$376,677
101 Street Fund	\$2,615,776	\$2,211,868	\$43,906
104 Cemetery Fund	\$16,532	\$7,573	\$8,959
105 Tourism Fund	\$183,973	\$80,570	\$103,403
201 City Hall/Library Bond	\$32,120	\$32,167	(\$47)
303 Capital Reserve Fund	\$375,084	\$138,957	\$236,127
401 Water Fund	\$1,607,456	\$643,546	\$963,910
402 Sewer Fund	\$744,462	\$386,990	\$357,472
403 Storm Water Fund	\$356,581	\$230,167	\$126,414
406 PW Vehicle & Equip	\$120,729	\$0	\$120,729
625 Scott Memorial Fund	\$3,228	\$0	\$3,228
Total	\$7,824,502	\$5,512,822	\$2,346,778

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 of Langley's legislative body.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 80 days and is payable upon separation or retirement. Sick leave may be accumulated up to 1,000 hours. Upon separation or retirement employees do not receive payment for unused sick leave except for employees who were hired prior to January 1, 1997 and had accumulated sick leave up to that date. Those employees receive 25% pay out of sick leave accumulated prior to 1997 at separation. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note No. 5 *Debt Service Requirements*.

H. Other Financing Sources or Uses

The City of Langley's *Other Financing Sources or Uses* consist of operating transfers for overhead cost allocations between funds.

I. Risk Management

The City of Langley is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 31, 2014, 94 municipalities/entities participate in the RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the RMSA Pool a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors which is comprised of elected officials of participating members.

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 Ordinance of the City Council. When expenditures that meet restrictions are incurred, the City of Langley intends to use reserved resources first before using unreserved amounts.

Note 2 – Deposits and Investments

It is the City of Langley’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

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 of Langley 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	City of Langley’s own investments	Investments held by City of Langley as an agent for other local governments, individual or private organizations.	Total
Whidbey Island Bank	\$824,983.83	\$0	\$824,983.83
U.S. Gov. Securities	\$0	\$0	\$0
L.G.I.P.	\$973,288.14	\$0	\$973,288.14
US Bank Safekeeping	\$296,436.73		\$296,436.73
Total	\$2,094,708.70	\$	\$2,094,708.70

Note 3 - Property Tax

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

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

The City of Langley’s regular levy for the year 2014 was \$1.6715 per \$1,000 on an assessed valuation of \$233,238,604 for a total regular levy of \$389,869.

Note 4 - Interfund Loans

The City of Langley had no interfund loan activity during 2014.

Note 5 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liability of the City of Langley and summarizes the City of Langley’s debt transactions for 2014.

The debt service requirements for general obligation bonds and revenue bonds and Public Works Trust Fund Loans including both principle and interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2014	\$65,741.00	\$	\$42,567.29	\$108,308.29
2015	\$33,746		\$41,411.22	\$75,157.22
2016	\$33,746		\$40,255.15	\$74,001.15
2017	\$33,746		\$9,954.45	\$43,700.45
2018	\$33,746		\$9,672.72	\$43,418.72
2019-2023	\$168,730		0	\$168,730
Totals	\$369,455	\$0	\$143,860.83	\$513,315.83

Note 6 - Pension Plans

Substantially all City of Langley’s full-time and qualifying part-time employees participate in PERS and LEOFF systems 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 of Langley’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

CITY OF LANGLEY
MCAG NO. 0359
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Langley reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The City of Langley was incorporated on February 26, 1913 and operates under the laws of the state of Washington applicable to a code city with a mayor-council form of government. The City of Langley is a general purpose government and provides police protection, streets, a library, cemetery, parks and water, sewer and storm water services. The City of Langley uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the City of Langley are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The City of Langley resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the City of Langley:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account assets that City of Langley holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

c. Budgets

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

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

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 General Fund	\$1,734,656	\$1,267,881	\$466,775
101 Street Fund	\$2,340,506	\$325,368	\$2,015,138
104 Cemetery Fund	\$17,719	\$7,827	\$9,892
105 Tourism Fund	\$124,929	\$97,338	\$27,591
201 City Hall/Library Bond	\$33,590	\$34,162	(\$572)
303 Capital Reserve Fund	\$313,606	\$0	\$313,606
401 Water Fund	\$2,294,145	\$694,056	\$1,600,089
402 Sewer Fund	\$2,242,943	\$366,484	\$1,876,459
403 Storm Water Fund	\$199,343	\$195,456	\$3,887
406 PW Vehicle & Equip	\$211,915	\$81,587	\$130,328
625 Scott Memorial Fund	\$3,227	\$0	\$3,227
Total	\$9,516,579	\$3,070,159	\$6,446,420

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 of Langley's legislative body.

d. Cash

It is the City of Langley's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

e. Deposits

The City of Langley's deposits and certificates of deposit are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

f. Investments See Investment Note No. 3.

g. Capital Assets

Capital assets are long-lived assets of the City of Langley and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 80 days and is payable upon separation or retirement.

Sick leave may be accumulated up to 1,000 hours. Upon separation or retirement employees do not receive payment for unused sick leave except for employees who were hired prior to January 1, 1997 and had accumulated sick leave up to that date. Those employees receive 25% pay out of sick leave accumulated prior to 1997 at separation.

i. Long-Term Debt See Long-Term Debt Note No. 5.

j. Other Financing Sources or Uses

The City of Langley's *Other Financing Sources or Uses* consist of operating transfers for overhead cost allocations between funds.

l. Risk Management

The City of Langley is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities 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 31, 2012, 85 municipalities/entities participate in the RMSA Pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Allianz with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA is a cooperative program; the members of the AWC RMSA are jointly liable.

Members contract to remain in the RMSA Pool a minimum of three years and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The Interlocal Governmental Agreement was revised in 2009 and approved by membership in 2010. In accordance with WAC 82.60.02023, the Pool elected its first Board of Directors, comprised of elected officials that are members of AWC RMSA, elected at large.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The specific financials of the AWC RMSA can be obtained from the AWC RMSA Annual Report on file with the City of Langley.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

There have been no expenditures exceeding legal appropriations in any of the funds of the City of Langley.

NOTE 3 - INVESTMENTS

The City of Langley's investments are either insured, registered or held by the City of Langley or its agent in the City of Langley's name.

Investments are presented at fair market value.

Investments by type at December 31, 2013 are as follows:

Type of Investment	City of Langley's own investments	Investments held by City of Langley as an agent for other local governments, individual or private organizations.	Total
Whidbey Island Bank	\$982,071.61	\$0	\$982,071.61
U.S. Gov. Securities	\$0	\$0	\$0
L.G.I.P.	\$972,317.20	\$0	\$972,317.20
US Bank Safekeeping	\$300,005.21		\$300,005.21
Total	\$2,254,394.02	\$0	\$2,254,394.02

NOTE 4 - PROPERTY TAX

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

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

The City of Langley's regular levy for the year 2013 was \$1.60734 per \$1,000 on an assessed valuation of \$238,646,812 for a total regular levy of \$383,589.

NOTE 5 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liability of the City of Langley and summarizes the City of Langley's debt transactions for 2013. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2013	\$33,990.00	\$53,050.85		\$87,040.85
2014	\$31,995.00	\$42,567.29		\$74,562.29
2015	\$0	\$41,411.22		\$41,411.22
2016	\$0	\$40,255.15		\$40,255.15
2017	\$0	\$9,954.45		\$9,954.45
2018	\$0	\$9,672.72		\$9,672.72
2019-2023	\$0	\$0		\$0
Totals	\$65,985.00	\$196,911.68	\$0	\$262,896.68

NOTE 6 - PENSION PLANS

Substantially all City of Langley's full-time and qualifying part-time employees participate in PERS and LEOFF systems 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 of Langley'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

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	G O Bond 94	12/1/2014	30,000	-	30,000	-
251.11	G O Bond 2014	12/1/2014	-	420,700	24,662	396,038
251.11	Compensated Absences	12/31/1998	79,166	6,653	7,622	78,197
	Total General Obligations:		109,166	427,353	62,284	474,235
Revenue Obligations						
263.82	PW Trust Fund loan	7/1/2014	46,955	-	9,391	37,564
263.82	PW Trust Fund loan	7/1/2014	87,433	-	29,145	58,288
	Total Revenue Obligations:		134,388	-	38,536	95,852
	Total Liabilities:		243,554	427,353	100,820	570,087

**City of Langley
Schedule of Liabilities
For the Year Ended December 31, 2013**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.11	GO Bond 94	12/1/2013	60,000	-	30,000	30,000
263.81	PW Trust Fund	7/1/2013	56,346	-	9,391	46,955
263.81	SRF Loan	10/1/2013	9,329	-	9,329	-
263.81	PW Trust Fund	7/1/2013	116,576	-	29,145	87,431
259.11	Compensated absences		69,339	9,827	-	79,166
Total General Obligations:			311,590	9,827	77,865	243,552
Total Liabilities:			311,590	9,827	77,865	243,552

City of Langley
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

	Expenditures					Note	
	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards		From Direct Awards
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	STPR- H151(004)	641,149	-	641,149	1, 2
Total Highway Planning and Construction Cluster:					641,149	641,149	
Total Federal Awards Expended:					641,149	641,149	

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE 16 FINANCIAL ASSISTANCE

NOTE 1 – BASIS OF ACCOUNTING

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

NOTE 2 – PROGRAM COSTS

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

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED
UNDER OMB CIRCULAR A-133**

**City of Langley
Island County**

January 1, 2013 through December 31, 2014

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the City of Langley.

Finding ref number: 2014-001	Finding caption: The City's internal controls are inadequate to ensure federal expenditures are accurately reported on the Schedule of Expenditures of Federal Awards.
Name, address, and telephone of auditee contact person: Debbie Mahler, Director of Finance/Clerk P.O. Box 366 Langley, WA 98260 (360) 221-4246	
Corrective action the auditee plans to take in response to the finding: (If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence). <i>The City had both Federal and State grants for a street project. A federal grant payment received by the City was receipted as a state grant payment. In the future, the Finance Director will review all grant receipts to make sure they are coded correctly in the City's financial software.</i>	
Anticipated date to complete the corrective action: Ongoing	

ABOUT THE STATE AUDITOR'S OFFICE

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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.

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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.

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