



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements Audit Report

### City of Brier

Snohomish County

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

Published September 22, 2016

Report No. 1017504





## Washington State Auditor's Office

September 22, 2016

City Council and Mayor  
City of Brier  
Brier, Washington

### Report on Financial Statements

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

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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**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 Brier  
Snohomish County  
January 1, 2014 through December 31, 2015**

City Council and Mayor  
City of Brier  
Brier, 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 Brier, Snohomish 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 September 2, 2016.

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

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

## COMPLIANCE AND OTHER MATTERS

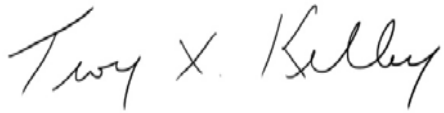
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 2, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Brier Snohomish County January 1, 2014 through December 31, 2015**

City Council and Mayor  
City of Brier  
Brier, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the City of Brier, Snohomish 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 11.

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

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

#### **Auditor's Responsibility**

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

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

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

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

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

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

## **Other Matters**

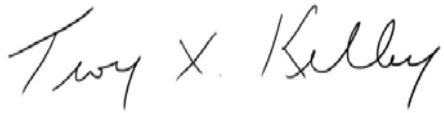
### ***Supplementary and Other Information***

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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 September 2, 2016 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, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 2, 2016

## **FINANCIAL SECTION**

**City of Brier  
Snohomish 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  
Notes to Financial Statements – 2014

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2015  
Schedule of Liabilities – 2014

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund #001</b>	<b>101 Street Fund #101</b>	<b>105 Parks Acquisition&amp;de v.fund#105</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	1,034,802	57,689	-	306,634
30880	Unreserved	5,533,652	3,325,890	123,033	27,884
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	2,694,430	2,409,342	-	47,678
320	Licenses and Permits	119,123	101,603	17,520	-
330	Intergovernmental Revenues	422,280	225,077	134,005	-
340	Charges for Goods and Services	2,224,006	85,641	-	-
350	Fines and Penalties	51,824	51,566	-	-
360	Miscellaneous Revenues	119,216	32,831	9,462	360
Total Operating Revenues:		5,630,880	2,906,061	160,987	48,039
<b>Operating Expenditures</b>					
510	General Government	555,598	554,748	-	-
520	Public Safety	1,890,392	1,880,628	-	-
530	Utilities	1,884,113	4,327	-	-
540	Transportation	195,406	-	195,406	-
550	Natural and Economic Environment	198,979	198,979	-	-
560	Social Services	1,461	1,461	-	-
570	Culture and Recreation	139,864	138,764	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		4,865,814	2,778,907	195,406	-
Net Operating Increase (Decrease):		765,067	127,154	(34,419)	48,039
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	101,069	99,407	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	120,816	784	50,000	-
Total Nonoperating Revenues:		221,885	100,191	50,000	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	94,469	91,147	-	-
591-593	Debt Service	119,532	-	-	-
594-595	Capital Expenditures	54,565	8,876	-	-
597	Transfers-Out	120,816	50,000	4,573	-
Total Nonoperating Expenditures:		389,383	150,023	4,573	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>597,570</b>	<b>77,322</b>	<b>11,008</b>	<b>48,039</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,226,364	59,654	-	354,312
5088000	Unreserved	5,939,659	3,401,247	134,041	28,244
<b>Total Ending Cash and Investments</b>		<b>7,166,023</b>	<b>3,460,900</b>	<b>134,041</b>	<b>382,556</b>

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

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

		<b>108 Capital Equipmt.puchas e Fund</b>	<b>111 Capital Improvement Fund #111</b>	<b>118 Friends Of The Parks Fund #118</b>	<b>119 Park Mitigation Fund #119</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	196,175	-	-
30880	Unreserved	155,770	24,057	1,758	9,467
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	-	88,546	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	14,000
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	22	291	618	2
Total Operating Revenues:		22	88,836	618	14,002
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	7,908	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	675	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		-	7,908	675	-
Net Operating Increase (Decrease):		22	80,928	(57)	14,002
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		-	-	-	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	21,625	24,064	-	-
597	Transfers-Out	-	30,870	-	-
Total Nonoperating Expenditures:		21,625	54,934	-	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(21,603)</b>	<b>25,994</b>	<b>(57)</b>	<b>14,002</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	221,878	-	-
5088000	Unreserved	134,166	24,347	1,701	23,470
<b>Total Ending Cash and Investments</b>		<b>134,166</b>	<b>246,225</b>	<b>1,701</b>	<b>23,470</b>

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

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

		<b>120 Drug Related Forfeitures</b>	<b>200 Library Debt Ser.g.o.bond</b>	<b>201 City Hall Debt Svc Fund 201</b>	<b>300 Capital Facilities Fund #300</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	474,304
30880	Unreserved	4,279	14,368	9,199	334,863
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	-	12,640	-	136,224
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	257	-	-	-
360	Miscellaneous Revenues	8	1	23,294	503
Total Operating Revenues:		266	12,642	23,294	136,727
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	1,857	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	425	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		1,857	425	-	-
Net Operating Increase (Decrease):		(1,591)	12,217	23,294	136,727
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	70,032	-
Total Nonoperating Revenues:		-	-	70,032	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	26,500	93,032	-
594-595	Capital Expenditures	-	-	-	-
597	Transfers-Out	-	84	-	20,008
Total Nonoperating Expenditures:		-	26,584	93,032	20,008
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(1,591)</b>	<b>(14,367)</b>	<b>294</b>	<b>116,719</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	590,520
5088000	Unreserved	2,688	-	9,493	335,366
<b>Total Ending Cash and Investments</b>		<b>2,688</b>	<b>-</b>	<b>9,493</b>	<b>925,886</b>

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

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

		<b>400 Sewer Fund #400</b>	<b>407 Storm Water Managemt.fund</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	1,349,251	153,834
388 & 588	Prior Period Adjustments, Net	-	-
<b>Operating Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	63,198
340	Charges for Goods and Services	1,879,242	245,123
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	51,342	482
Total Operating Revenues:		1,930,584	308,804
<b>Operating Expenditures</b>			
510	General Government	-	850
520	Public Safety	-	-
530	Utilities	1,657,475	222,311
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
598	Miscellaneous Expenses	-	-
Total Operating Expenditures:		1,657,475	223,161
Net Operating Increase (Decrease):		273,109	85,643
<b>Nonoperating Revenues</b>			
370-380, 395 & 398	Other Financing Sources	1,662	-
391-393	Debt Proceeds	-	-
397	Transfers-In	-	-
Total Nonoperating Revenues:		1,662	-
<b>Nonoperating Expenditures</b>			
580, 596 & 599	Other Financing Uses	3,322	-
591-593	Debt Service	-	-
594-595	Capital Expenditures	-	-
597	Transfers-Out	12,136	3,145
Total Nonoperating Expenditures:		15,458	3,145
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>259,313</b>	<b>82,498</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	-
5088000	Unreserved	1,608,564	236,332
<b>Total Ending Cash and Investments</b>		<b>1,608,564</b>	<b>236,332</b>

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

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund #001</b>	<b>101 Street Fund #101</b>	<b>105 Parks Acquisition&amp;de v.fund#105</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	976,681	12,733	-	370,662
30880	Unreserved	4,960,367	3,359,888	164,284	7,565
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	2,593,955	2,335,182	1,332	40,064
320	Licenses and Permits	184,318	170,968	13,350	-
330	Intergovernmental Revenues	1,637,662	207,233	130,260	573,337
340	Charges for Goods and Services	2,143,040	212,051	-	-
350	Fines and Penalties	57,750	56,985	-	-
360	Miscellaneous Revenues	242,460	121,396	6,429	221
Total Operating Revenues:		6,859,185	3,103,815	151,370	613,622
<b>Operating Expenditures</b>					
510	General Government	539,026	539,026	-	-
520	Public Safety	2,018,693	2,007,383	-	-
530	Utilities	1,927,056	3,296	-	-
540	Transportation	188,381	-	188,381	-
550	Natural and Economic Environment	178,052	178,052	-	-
560	Social Services	2,325	2,325	-	-
570	Culture and Recreation	114,821	113,628	-	-
Total Operating Expenditures:		4,968,354	2,843,710	188,381	-
<b>Net Operating Increase (Decrease):</b>		<b>1,890,831</b>	<b>260,105</b>	<b>(37,011)</b>	<b>613,622</b>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	134,296	92,007	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	265,912	1,000	-	-
Total Nonoperating Revenues:		400,208	93,007	-	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	85,537	85,537	-	-
591-593	Debt Service	115,909	-	-	-
594-595	Capital Expenditures	1,192,275	56,616	-	657,331
597	Transfers-Out	265,912	200,000	4,240	-
Total Nonoperating Expenditures:		1,659,633	342,153	4,240	657,331
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>631,406</b>	<b>10,959</b>	<b>(41,251)</b>	<b>(43,709)</b>
<b>Ending Cash and Investments</b>					
50810	Reserved	1,034,803	57,689	-	306,634
50880	Unreserved	5,533,652	3,325,890	123,033	27,884

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

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

		<b>108 Capital Equipmt.puchas e Fund</b>	<b>111 Capital Improvement Fund #111</b>	<b>118 Friends Of The Parks Fund #118</b>	<b>119 Park Mitigation Fund #119</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	214,907	-	-
30880	Unreserved	72,450	23,879	1,842	1,466
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	-	74,682	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	290,356	-	-
340	Charges for Goods and Services	-	-	-	8,000
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	28	178	722	1
Total Operating Revenues:		28	365,217	722	8,001
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	9,056	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	805	-
Total Operating Expenditures:		-	9,056	805	-
<b>Net Operating Increase (Decrease):</b>		<b>28</b>	<b>356,161</b>	<b>(83)</b>	<b>8,001</b>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	200,000	-	-	-
Total Nonoperating Revenues:		200,000	-	-	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	116,710	346,102	-	-
597	Transfers-Out	-	28,612	-	-
Total Nonoperating Expenditures:		116,710	374,714	-	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>83,318</b>	<b>(18,553)</b>	<b>(83)</b>	<b>8,001</b>
<b>Ending Cash and Investments</b>					
50810	Reserved	-	196,175	-	-
50880	Unreserved	155,770	24,057	1,758	9,467

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

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

		<b>120 Drug Related Forfeitures</b>	<b>200 Library Debt Ser.g.o.bond Fund</b>	<b>201 City Hall Debt Svc Fund 201</b>	<b>300 Capital Facilities Fund #300</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	378,380
30880	Unreserved	5,762	14,529	9,364	11,703
388 & 588	Prior Period Adjustments, Net	-	-	-	-
<b>Operating Revenues</b>					
310	Taxes	-	28,225	-	114,470
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	338,368
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	765	-	-	-
360	Miscellaneous Revenues	5	1	22,832	309
Total Operating Revenues:		770	28,226	22,832	453,146
<b>Operating Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	2,253	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	388	-	-
Total Operating Expenditures:		2,253	388	-	-
<b>Net Operating Increase (Decrease):</b>		<b>(1,483)</b>	<b>27,838</b>	<b>22,832</b>	<b>453,146</b>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	64,912	-
Total Nonoperating Revenues:		-	-	64,912	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	28,000	87,909	-
594-595	Capital Expenditures	-	-	-	15,516
597	Transfers-Out	-	-	-	18,545
Total Nonoperating Expenditures:		-	28,000	87,909	34,061
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(1,483)</b>	<b>(162)</b>	<b>(165)</b>	<b>419,085</b>
<b>Ending Cash and Investments</b>					
50810	Reserved	-	-	-	474,304
50880	Unreserved	4,279	14,368	9,199	334,863

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

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

		<b>400 Sewer Fund #400</b>	<b>407 Storm Water Managemt.fund #407</b>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	1,094,306	193,331
388 & 588	Prior Period Adjustments, Net	-	-
<b>Operating Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	98,110
340	Charges for Goods and Services	1,730,444	192,544
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	87,050	3,287
Total Operating Revenues:		<u>1,817,494</u>	<u>293,941</u>
<b>Operating Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	1,593,238	330,523
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Operating Expenditures:		<u>1,593,238</u>	<u>330,523</u>
<b>Net Operating Increase (Decrease):</b>		<b>224,256</b>	<b>(36,582)</b>
<b>Nonoperating Revenues</b>			
370-380, 395 & 398	Other Financing Sources	42,289	-
391-393	Debt Proceeds	-	-
397	Transfers-In	-	-
Total Nonoperating Revenues:		<u>42,289</u>	<u>-</u>
<b>Nonoperating Expenditures</b>			
580, 596 & 599	Other Financing Uses	-	-
591-593	Debt Service	-	-
594-595	Capital Expenditures	-	-
597	Transfers-Out	11,600	2,915
Total Nonoperating Expenditures:		<u>11,600</u>	<u>2,915</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>254,945</b>	<b>(39,497)</b>
<b>Ending Cash and Investments</b>			
50810	Reserved	-	-
50880	Unreserved	1,349,251	153,834

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

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

		<b>Total for All Funds (Memo Only)</b>	<b>620 Deposits Fund #620</b>
308	Beginning Cash and Investments	36,490	36,490
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	33	33
380-390	Other Increases and Financing Sources	(2,513)	(2,513)
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	6,500	6,500
	Net Increase (Decrease) in Cash and Investments:	(8,979)	(8,979)
508	Ending Cash and Investments	27,511	27,511

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

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

		<b>Total for All Funds (Memo Only)</b>	<b>620 Deposits Fund #620</b>
308	Beginning Cash and Investments	29,792	29,792
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	20	20
380-390	Other Increases and Financing Sources	11,428	11,428
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	4,750	4,750
	Net Increase (Decrease) in Cash and Investments:	6,698	6,698
508	Ending Cash and Investments	36,490	36,490

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

# CITY OF BRIER

## NOTES TO FINANCIAL STATEMENTS

January 1, 2015 through December 31, 2015.

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Brier was incorporated on February 11, 1965 and operates under the laws of the state of Washington applicable to a Non Chartered Code City. The city is a general purpose local government and provides public safety, street improvement, parks and recreation, and general administrative services.

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

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

#### A. Fund Accounting

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

#### GOVERNMENTAL FUND TYPES:

- General (Current Expense) Fund ( No. 001)

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

- Special Revenue Funds (Funds in the 100 series)

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

- Debt Service Funds (Funds in the 200 series)

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

- Capital Projects Funds (Funds in the 300 series)

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

#### PROPRIETARY FUND TYPES:

- Enterprise Fund (Certain 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 city in a trustee capacity or as an agent on behalf of others.

- Agency Funds (Funds in the 600 series)

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

#### B. Basis of Accounting

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. 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 year end.

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

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

For the year ending December 31, 2015			
FUND/DEPARTMENT	Budget	Actual	Variance
001 GENERAL FUND:	3,138,183	2,928,930	-209,253
101 STREET FUND:	251,873	199,979	-51,894
105 PARKS AQU & DEV	5,000	0	-5,000
108 CAPT. EQUIP PURCHASE	112,900	21,625	-91,275
111 CAPT. IMPROVEMENT	103,870	62,842	-41,028
118 FRIENDS OF THE PARK	1,300	675	-625
119 PARK MITIGATION	0	0	0
120 DRUG FORFEITURE	2,350	1,857	-493
200 LIBRARY DEBT SERVICE	27,744	27,009	-735
201 CITY HALL DEBT SERVICE	93,500	93,032	-468
300 CAPT. FACILITIES	20,008	20,008	0
400 SEWER FUND	1,793,595	1,672,933	-120,662
407 STORMWATER MGMT	251,077	226,306	-24,771
620 DEPOSITS	6,500	6,500	0

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 legislative body.

#### D. Cash & Investments

See NOTE 2, 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 5 years. The capital assets of the city are recorded as capital expenditures when purchased.

#### F. Compensated Absences

The General and Proprietary Revenue funds recognize vacation benefits only when paid, although this practice does not conform to generally accepted accounting principles.

Unless otherwise approved by the Mayor, vacation time shall be taken within the twelve (12) month period following the period for which it is accumulated and may not be extended beyond

twice the annual rate without approval of the Mayor. An employee whose service is terminated or who resigns shall be paid for any accumulated, unused vacation at their current rate of pay.

Accrued but unused sick leave shall be converted to pay on the following basis:

- a. Termination - voluntary, (provided two (2) weeks notice is given) or discharge: Twenty percent (20%) of up to seven hundred twenty (720) hours unused sick leave.
- b. Termination - by layoff: Thirty-three percent (33%) of up to seven hundred twenty (720) hours unused sick leave.
- c. Retirement (or death): One hundred percent (100%) of the first two hundred (200) hours unused sick leave. Thirty-three percent (33%) of up to five hundred twenty (520) remaining hours of unused sick leave. Conversion of unused sick leave shall not be for more than a total of seven hundred twenty (720) hours.

Compensation time is earned by union employees with a maximum accrual of 50 hours. It shall be taken within a reasonable amount of time after it is earned, unless the Department Head or Mayor determines that such would be unduly disruptive to the City's operations. In the event of separation of an employee, any accumulated compensation time shall be paid at the employee's current rate of pay.

G. Long-Term Debt                      **See Note #4, Debt Service Requirements.**

H. Other Financing Sources/Uses

The City's "Other Financing Sources/Uses" consist of the following for 2015 Interfund transactions:

- a. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the city.
- b. Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses."

I. Risk Management

The city of Brier is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 175 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

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

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

#### J. Reserved Portion of Ending Cash & 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 the City Council. When expenditures that meet restrictions are incurred, the city intends to use reserved resources first before using unreserved amounts.

<i><b>FUND</b></i>	<i><b>AMOUNT</b></i>	<i><b>DETAIL</b></i>
<b>001- General</b>	\$ 59,654	Is reserved funds for the CTED Programs 1-3/Tree replacement funds
<b>105- Parks Aqu</b>	\$354,312	Is REET #1 reserved funds
<b>111- Capt. Impr</b>	\$221,878	Is REET #1 reserved funds
<b>300- Capt. Fac</b>	\$590,520	Is REET #2 reserved funds
<b>620- Deposit Fund</b>	\$ 2,150	Customer deposits for projects within the City are held in trust and are not available for appropriation.

## NOTE 2 – DEPOSITS & INVESTMENTS

It is the city'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 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 original cost. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$6,112,702.83

## NOTE 3 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes 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 the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for 2015 was \$1.2368 per \$1,000 on an assessed valuation of \$817,700,550 for a regular total levy of \$1,048,497.

Special levies approved by the voters are not subject to the limitations listed above. In 2015, the City of Brier had an EMS levy of \$431,285 at a levy rate of \$.50000 and a Library Construction Levy of \$13,000 at a levy rate of \$.0153 per thousand.

## NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City of Brier and summarizes the City of Brier's debt transactions for year ended December 31, 2015.

The debt service requirements for general obligation bonds, revenue bonds and the L.O.C.A.L. Loan Program including interest are as follows:

Year	1995 G.O. Bonds	2004 State of WA Loan Program	Total Debt
2015	26,500	93,032	119,532
2016	0	87,449	87,449
2017	0	86,066	86,066
2018	0	94,703	94,703
2019	0	45,945	45,945
<b>TOTALS</b>	<b>\$26,500</b>	<b>\$407,195</b>	<b>\$433,695</b>

## NOTE 5 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans (PERS 1, PERS 2 and PERS 3).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

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

At June 30, 201X (the measurement date of the plans), the city's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	%.001165	\$6,094,033
PERS 2/3	.006725	\$24,028,808
PERS 1 UAAL	.005276	\$27,598,387
LEOFF 1	.001236	\$(1,489,653)
LEOFF 2	.015525	\$(15,956,595)

### 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 6 - 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 the State of Washington Department of Retirement Systems Committee for Deferred Compensation. The plan, available to 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 unforeseeable emergency.

In June, 1998 the State of Washington Deferred Compensation Program plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board (GASB) Statement 32, since the City is no longer the owner of these assets, as of 12-31-98, the plan assets and liabilities are no longer reported as an Agency 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 outlined on Schedule 16 and are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The city management believes that such disallowances, if any, will be immaterial.

#### NOTE 8 – JOINT VENTURE

##### SERS

The City entered into a single joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System (SERS). The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. Control of this joint venture is shared equitably by the controlling organizations. This entity is reported as a governmental joint venture. The City of Brier's share of the assets and equity as of December 31, 2015 was \$66,991.

The Snohomish County Emergency Radio System is considered a separate reporting entity. Each participant's share of authority is defined by the terms of the enabling charter. Control is represented by the City Council and Board of County Commissioners and is divided between the County and the participating cities. Separate financial statements can be obtained from Snohomish County.

##### SNOCOM

The City of Brier participates in a single joint venture with other local governments in the "*Southwest Snohomish County Public Safety Communications Agency*," (SNOCOM) a public non-profit corporation formed in 1971 and incorporated in 2014. The purpose of SNOCOM is to provide public safety communications, records retention and usage and other board approved functions.

SNOCOM was established via an interlocal agreement between the City of Brier, six other cities and Snohomish County Fire District 1 all located within the county. Each member city and the Fire District provide voting members to the SNOCOM board of directors. The purpose of SNOCOM is to provide communications and dispatching for public health and safety services in Southwest Snohomish County.

The Cities of Brier, Edmonds, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodway and Fire District 1 are jointly responsible for the financing of SNOCOM. The interlocal agreement details clearly an allocation formula that determines each member's share in the joint venture and its reported equity interest in their respective financial statements. It incorporates each agency's population, assessed value and usage of 911 calls for service. Each member provides a voting representative to SNOCOM governing board of directors. The SNOCOM board has the authority to approve project expenditures and adopt SNOCOM budget.

At December 31, 2015, the City of Brier owned an equity interest in the SNOCOM joint venture of \$106,371. ***This value has been recorded in the government wide statements as an asset for the year ended December 31, 2015\****. The equity interest is adjusted to the extent of revenues and expenditure transactions occurring between the City of Mountlake Terrace and SNOCOM as recorded in the City of Mountlake Terrace's financial system. The City of Mountlake Terrace, who acts as the entity's fiscal agent under the Interlocal Agreement for Financial Services signed on November 25, 2009, prepares the unaudited financial information. Separate financial statements for the Snohomish County Public Safety Communication Agency can be obtained from the City of Mountlake Terrace, Finance Department, 6100 219<sup>th</sup> St SW, Suite 200, Mountlake Terrace, WA 98043.

#### ESCA

In accordance with generally accepted accounting principles, ESCA was a joint venture with each entity's equity interest reported on its member entities' financial statements.

Ten member agencies provide the majority of operating revenue to ESCA. The method of allocating this revenue source is defined in the *Interlocal Agreement for the Emergency Services Coordinating Agency Section 4 Budgeting and Financial Participation* 4.1 "Annual budget participation shall be based upon the population of each party compared to the total population of the parties. Operating payments shall be made by January 31 of each year". Section 7 Term and Dissolution states, "The value of the assets shall be then apportioned between the parties to the agreement in the same proportion as their financial participation in the budget year of dissolution".

As of 12/31/15, the City of Brier's cash equity interest is estimated to be the following:

City of Brier	\$0
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On June 25, 2015 the Agency members passed resolution (2015-3) to dissolve ESCA during the 2015 fiscal year. The Agency was dissolved as of December 31, 2015.

#### NOTE 9 – OPEB

The City has a commitment to pay for post employment benefits for employees that belong to LEOFF I. These benefits include medical, dental, nursing & long term care. One retiree received benefits during the year and \$34,444.39 was paid out for those benefits during the year.

#### NOTE 10 - 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.

## **CITY OF BRIER**

### **NOTES TO FINANCIAL STATEMENTS**

January 1, 2014 through December 31, 2014.

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Brier 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 Brier was incorporated on February 11, 1965 and operates under laws of the State of Washington applicable to a Non Chartered Code City. The City of Brier is a general-purpose government and provides for public safety, street improvement, parks and recreation, and general administrative services. The City uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

In addition, the city operates a sewer and stormwater system; and contracts for the garbage services.

#### **A. Fund Accounting**

The accounts of the city are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The city's 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:

#### **GOVERNMENTAL FUND TYPES:**

- General (Current Expense) Fund ( No. 001)

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

- Special Revenue Funds (Funds in the 100 series)

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

- Debt Service Funds (Funds in the 200 series)

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

## NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

- Capital Projects Funds (Funds in the 300 series)

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

### PROPRIETARY FUND TYPES:

- Enterprise Fund (Certain 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 city in a trustee capacity or as an agent on behalf of others.

- Agency Funds (Funds in the 600 series)

These funds are used to account assets that the city 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 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 year end.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

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

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

For the year ending December 31, 2014			
FUND/DEPARTMENT	Budget	Actual	Variance
001 GENERAL FUND:	3,284,479	3,185,864	98,615
101 STREET FUND:	240,840	192,621	48,219
105 PARKS AQU & DEV	885,000	657,331	227,669
108 CAPT. EQUIP PURCHASE	175,400	116,710	58,690
111 CAPT. IMPROVEMENT	504,712	383,770	120,942
118 FRIENDS OF THE PARK	1,300	805	495
119 PARK MITIGATION	0	0	0
120 DRUG FORFEITURE	2,253	2253	0
200 LIBRARY DEBT SERVICE	28,388	28,388	0
201 CITY HALL DEBT SERVICE	88,000	87,909	91
300 CAPT. FACILITIES	34,061	34,061	0
400 SEWER FUND	1,738,682	1,604,838	133,844
407 STORMWATER MGMT	397,315	333,438	63,877
620 DEPOSITS	6,750	4,750	2,000

Budgeted amounts are authorized to 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 legislative body.

D. Cash

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 transactions. The interest on these investments is prorated to the various funds.

The amounts reported as net cash and investments also include compensating balances maintained with certain banks in lieu of payments for services rendered.

## NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

### E. Deposits

The city's deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

### F. Investments

As required by state law, all deposits and investments of the city's funds are in the State Treasurer's Investment Pool (LGIP) or deposits with Washington State banks and savings and loan institutions. (See Note #2).

### G. Receivables

Special assessments are recorded in special assessment registers when levied.

### H. Capital Assets

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

### I. Compensated Absences

The General and Proprietary Revenue funds recognize vacation benefits only when paid, although this practice does not conform to generally accepted accounting principles.

Unless otherwise approved by the Mayor, vacation time shall be taken within the twelve (12) month period following the period for which it is accumulated and may not be extended beyond twice the annual rate without approval of the Mayor. An employee whose service is terminated or who resigns shall be paid for any accumulated, unused vacation at their current rate of pay.

Accrued but unused sick leave shall be converted to pay on the following basis:

- a. Termination - voluntary, (provided two (2) weeks notice is given) or discharge: Twenty percent (20%) of up to seven hundred twenty (720) hours unused sick leave.
- b. Termination - by layoff: Thirty-three percent (33%) of up to seven hundred twenty (720) hours unused sick leave.
- c. Retirement (or death): One hundred percent (100%) of the first two hundred (200) hours unused sick leave. Thirty-three percent (33%) of up to five hundred twenty (520) remaining hours of unused sick leave. Conversion of unused sick leave shall not be for more than a total of seven hundred twenty (720) hours.

## NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Compensation time is earned by union employees with a maximum accrual of 50 hours. It shall be taken within a reasonable amount of time after it is earned, unless the Department Head or Mayor determines that such would be unduly disruptive to the City's operations. In the event of separation of an employee, any accumulated compensation time shall be paid at the employee's current rate of pay.

J. Long-Term Debt                      **See Note #4, Debt Service Requirements.**

### K. Other Financing Sources/Uses

The City's "Other Financing Sources/Uses" consist of the following for 2014 Interfund transactions:

- a. Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the city.
- b. Transfers to support the operations of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses."

### L. Risk Management

The city of Brier is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 175 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members'

#### NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

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

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

#### M. Reserved Fund Balance

Reserved Fund Balance are monies that are set aside for a specific purpose or are being held as a deposit for a specific permitted use and cannot be spent for any purpose other than the intended use.

<i><b>FUND</b></i>	<i><b>AMOUNT</b></i>	<i><b>DETAIL</b></i>
<b>001- General</b>	\$ 57,689	Is reserved funds for the CTED Programs 1-3/Tree replacement funds
<b>105- Parks Aqu</b>	\$306,634	Is REET #1 reserved funds
<b>111- Capt. Impr</b>	\$196,175	Is REET #1 reserved funds
<b>300- Capt. Fac</b>	\$474,304	Is REET #2 reserved funds
<b>620- Deposit Fund</b>	\$ 2,150	Customer deposits for projects within the City are held in trust and are not available for appropriation.

#### NOTE 2 - INVESTMENTS

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

Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$5,414,972.14

### NOTE 3 - PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes 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 the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The City's regular levy for 2014 was \$1.36796655 per \$1,000 on an assessed valuation of \$751,964,937 for a regular total levy of \$1,026,029.

Special levies approved by the voters are not subject to the limitations listed above. In 2014, the City of Brier had an EMS levy of \$423,850 at a levy rate of \$.50000 and a Library Construction Levy of \$28,225 at a levy rate of \$.037 per thousand.

### NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Long-term Debt (09) provides more details of the outstanding debt and liabilities of the City of Brier and summarizes the City of Brier's debt transactions for year ended December 31, 2014.

The debt service requirements for general obligation bonds, revenue bonds and the L.O.C.A.L. Loan Program including interest are as follows:

Year	1995 G.O. Bonds	2004 State of WA Loan Program	Total Debt
2014	28,000	87,909	115,909
2015	26,500	93,032	119,532
2016	0	87,449	87,449
2017	0	86,066	86,066
2018	0	94,703	94,703
2019	0	45,945	45,945
<b>TOTALS</b>	<b>\$54,500</b>	<b>\$495,104</b>	<b>\$549,604</b>

### NOTE 5 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in Public Employees Retirement Systems (PERS 1, PERS 2 and PERS 3) or Law Enforcement Officers and Firefighters (LEOFF 1 and LEOFF 2) administered by the State of Washington 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 State Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

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

#### NOTE 6 - 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 the State of Washington Department of Retirement Systems Committee for Deferred Compensation. The plan, available to 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 unforeseeable emergency.

In June, 1998 the State of Washington Deferred Compensation Program plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board (GASB) Statement 32, since the City is no longer the owner of these assets, as of 12-31-98, the plan assets and liabilities are no longer reported as an Agency 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 outlined on Schedule 16 and are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The city management believes that such disallowances, if any, will be immaterial.

#### NOTE 8 – JOINT VENTURE

##### SERS

The City entered into a single joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System (SERS). The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. Control of this joint venture is shared equitably by the controlling organizations. This entity is reported as a governmental joint venture. The City of Brier's share of the assets and equity as of December 31, 2014 was \$80,009.

The Snohomish County Emergency Radio System is considered a separate reporting entity. Each participant's share of authority is defined by the terms of the enabling charter. Control is represented by the City Council and Board of County Commissioners and is divided between the County and the participating cities. Separate financial statements can be obtained from Snohomish County.

#### SNOCOM

The City of Brier participates in a single joint venture with other local governments in the "Southwest Snohomish County Public Safety Communications Agency," (SNOCOM) a public non-profit corporation formed in 1971 and incorporated in 2014. The purpose of SNOCOM is to provide public safety communications, records retention and usage and other board approved functions.

SNOCOM was established via an interlocal agreement between the City of Brier, six other cities and Snohomish County Fire District 1 all located within the county. Each member city and the Fire District provide voting members to the SNOCOM board of directors. The purpose of SNOCOM is to provide communications and dispatching for public health and safety services in Southwest Snohomish County.

The Cities of Brier, Edmonds, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodway and Fire District 1 are jointly responsible for the financing of SNOCOM. The interlocal agreement details clearly an allocation formula that determines each member's share in the joint venture and its reported equity interest in their respective financial statements. It incorporates each agency's population, assessed value and usage of 911 calls for service. Each member provides a voting representative to SNOCOM governing board of directors. The SNOCOM board has the authority to approve project expenditures and adopt SNOCOM budget.

At December 31, 2014, the City of Brier owned an equity interest in the SNOCOM joint venture of \$119,279. ***This value has been recorded in the government wide statements as an asset for the year ended December 31, 2014\****. The equity interest is adjusted to the extent of revenues and expenditure transactions occurring between the City of Mountlake Terrace and SNOCOM as recorded in the City of Mountlake Terrace's financial system. The City of Mountlake Terrace, who acts as the entity's fiscal agent under the Interlocal Agreement for Financial Services signed on November 25, 2009, prepares the unaudited financial information. Separate financial statements for the Snohomish County Public Safety Communication Agency can be obtained from the City of Mountlake Terrace, Finance Department, 6100 219<sup>th</sup> St SW, Suite 200, Mountlake Terrace, WA 98043.

#### ESCA

In accordance with generally accepted accounting principles, ESCA is a joint venture with each entity's equity interest reported on its member entities' financial statements.

Ten member agencies provide the majority of operating revenue to ESCA. The method of allocating this revenue source is defined in the *Interlocal Agreement for the Emergency Services Coordinating Agency Section 4 Budgeting and Financial Participation* 4.1 “Annual budget participation shall be based upon the population of each party compared to the total population of the parties. Operating payments shall be made by January 31 of each year”. Section 7 Term and Dissolution states, “The value of the assets shall be then apportioned between the parties to the agreement in the same proportion as their financial participation in the budget year of dissolution”.

As of 12/31/14, the City of Brier’s cash equity interest is estimated to be the following:

City of Brier                      3.36% =\$6,961

Plus physical assets (inventory available upon request)

On June 25, 2015 the Agency members passed resolution (2015-3) to dissolve ESCA during the 2015 fiscal year. The Agency is currently working to determine the full equity interest to be allocated to each member upon dissolution.

#### NOTE 9 – OPEB

The City has a commitment to pay for post employment benefits for employees that belong to LEOFF I. These benefits include medical, dental, nursing & long term care. One retiree received benefits during the year and \$27,185.80 was paid out for those benefits during the year.

#### NOTE 10 - 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.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	Library GO Bond	12/31/2015	25,000	-	25,000	-
263.96	City Hall - LOCAL Loan	12/31/2015	367,958	-	78,628	289,330
<b>Total General Obligation Debt/Liabilities:</b>			<b>392,958</b>	<b>-</b>	<b>103,628</b>	<b>289,330</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		65,243	-	15,117	50,126
259.12	Compensated Absences - Proprietary		28,915	15,100	-	44,015
264.30	Pension Liability		-	57,721,228	-	57,721,228
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>94,158</b>	<b>57,736,328</b>	<b>15,117</b>	<b>57,815,369</b>
<b>Total Liabilities:</b>			<b>487,116</b>	<b>57,736,328</b>	<b>118,745</b>	<b>58,104,699</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligations</b>						
251.12	Library GO Bond	12/31/2014	50,000	-	25,000	25,000
263.96	City Hall - LOCAL Loan	12/31/2014	438,426	-	70,468	367,958
	<b>Total General Obligations:</b>		<b>488,426</b>	<b>-</b>	<b>95,468</b>	<b>392,958</b>
<b>Revenue Obligations</b>						
259.12	Compensated Absences		84,264	-	19,021	65,243
259.12	Compensated Absences - Proprietary		42,648	-	13,733	28,915
	<b>Total Revenue Obligations:</b>		<b>126,912</b>	<b>-</b>	<b>32,754</b>	<b>94,158</b>
	<b>Total Liabilities:</b>		<b>615,338</b>	<b>-</b>	<b>128,222</b>	<b>487,116</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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