



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Langley

Island County

For the period January 1, 2015 through December 31, 2016

Published June 21, 2018

Report No. 1021502





Office of the Washington State Auditor

Pat McCarthy

June 21, 2018

Mayor and City Council
City of Langley
Langley, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

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City of Langley

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Langley Island County

January 1, 2015 through December 31, 2016

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2013 through December 31, 2014	Report Ref. No.: 1015901	Finding Ref. No.: 2014-001				
Finding Caption: The City's internal controls are inadequate to ensure federal expenditures are accurately reported on the Schedule of Expenditures and Federal Awards.						
Background: 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 the SEFA. As a result, the City did not report \$388,662 in federal expenditures on the SEFA.						
Status of Corrective Action: (check one) <table><tr><td><input checked="" type="checkbox"/> Fully Corrected</td><td><input type="checkbox"/> Partially Corrected</td><td><input type="checkbox"/> Not Corrected</td><td><input type="checkbox"/> Finding is considered no longer valid</td></tr></table>			<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The federal award was receipted as a state award, so it was not reported as a federal award on the financial reports. The Finance director now reviews all grant receipting to make sure that the funds are properly receipted and applied.</i>						

**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, 2015 through December 31, 2016**

Mayor and City 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated June 7, 2018.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

In addition, we noted certain matters that we communicated to the management of the City in a separate letter dated June 7, 2018.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

June 7, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Langley Island County

January 1, 2015 through December 31, 2016

Mayor and City 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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 12.

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 opinions 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, 2016 and 2015, 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, 2016 and 2015, 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 opinions on the financial statements taken as a whole. The 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 June 7, 2018 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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

June 7, 2018

FINANCIAL SECTION

**City of Langley
Island County
January 1, 2015 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2016
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Liabilities – 2015

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

		Total for All Funds (Memo Only)	001 General Government Fund	101 Street Fund	104 Cemetery Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	2,474,758	385,532	111	12,683
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,255,134	1,064,204	-	-
320	Licenses and Permits	78,840	77,390	1,450	-
330	Intergovernmental Revenues	173,276	22,055	151,221	-
340	Charges for Goods and Services	1,459,411	86,047	-	27,728
350	Fines and Penalties	2,959	2,959	-	-
360	Miscellaneous Revenues	274,113	38,200	1,029	77
Total Revenues:		3,243,733	1,290,855	153,700	27,805
Expenditures					
510	General Government	647,000	647,000	-	-
520	Public Safety	451,035	451,035	-	-
530	Utilities	707,143	43	-	6,891
540	Transportation	105,271	-	105,271	-
550	Natural and Economic Environment	329,201	197,863	-	-
560	Social Services	2,859	2,859	-	-
570	Culture and Recreation	57,954	57,954	-	-
Total Expenditures:		2,300,461	1,356,753	105,271	6,891
Excess (Deficiency) Revenues over Expenditures:		943,270	(65,899)	48,429	20,914
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	315,016	193,504	55,012	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	140	140	-	-
381, 395, 398	Other Resources	8,003	-	-	-
Total Other Increases in Fund Resources:		323,159	193,644	55,012	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	569,172	36,479	26,957	2,443
591-593, 599	Debt Service	74,001	33,746	-	-
597	Transfers-Out	315,016	87,512	25,825	2,600
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		958,189	157,737	52,782	5,043
Increase (Decrease) in Cash and Investments:		308,240	(29,992)	50,659	15,871
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	2,783,000	355,541	50,770	28,554
Total Ending Cash and Investments		2,783,000	355,541	50,770	28,554

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, 2016

		105 Tourism Fund	303 Capital Reserve Fund	401 Water Fund	402 Sewer Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	175,397	292,752	921,698	384,439
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	151,191	39,739	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	8,065	617,019	487,056
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	323	661	109,251	120,406
Total Revenues:		151,514	48,464	726,270	607,462
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	271,773	315,353
540	Transportation	-	-	-	-
550	Natural and Economic Environment	131,338	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		131,338	-	271,773	315,353
Excess (Deficiency) Revenues over Expenditures:		20,176	48,465	454,497	292,109
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	36,500	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	8,003	-	-
Total Other Increases in Fund Resources:		-	44,503	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	59,267	273,594	67,020
591-593, 599	Debt Service	-	-	30,019	-
597	Transfers-Out	2,000	-	78,450	79,487
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,000	59,267	382,063	146,507
Increase (Decrease) in Cash and Investments:		18,176	33,701	72,434	145,602
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	193,573	326,453	994,132	530,041
Total Ending Cash and Investments		193,573	326,453	994,132	530,041

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

		403 Stormwater Utility Fund	406 PW Vehicle & Equip Reserve
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	176,376	125,771
388 / 588	Prior Period Adjustments, Net	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	233,496	-
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	545	3,622
Total Revenues:		234,041	3,622
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	113,083	-
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		113,083	-
Excess (Deficiency) Revenues over Expenditures:		120,959	3,622
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	30,000
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	30,000
Other Decreases in Fund Resources			
594-595	Capital Expenditures	47,149	56,263
591-593, 599	Debt Service	10,236	-
597	Transfers-Out	39,142	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		96,527	56,263
Increase (Decrease) in Cash and Investments:		24,432	(22,641)
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	200,807	103,129
Total Ending Cash and Investments		200,807	103,129

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

		Total for All Funds (Memo Only)	001 General Government Fund	101 Street Fund	104 Cemetery Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	2,264,754	397,000	14,806	16,344
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	1,172,347	990,074	-	-
320	Licenses and Permits	84,505	83,866	639	-
330	Intergovernmental Revenues	158,383	23,792	134,590	-
340	Charges for Goods and Services	1,287,282	57,270	-	10,748
350	Fines and Penalties	3,681	3,681	-	-
360	Miscellaneous Revenues	68,849	36,633	1,683	249
Total Operating Revenues:		2,775,047	1,195,316	136,912	10,996
Operating Expenditures					
510	General Government	566,263	566,263	-	-
520	Public Safety	448,369	448,369	-	-
530	Utilities	731,097	7,951	-	7,475
540	Transportation	122,628	-	122,628	-
550	Natural and Economic Environment	313,226	198,844	-	-
560	Social Services	267	267	-	-
570	Culture and Recreation	51,444	51,444	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		2,233,294	1,273,137	122,628	7,475
Net Operating Increase (Decrease):		541,754	(77,821)	14,284	3,521
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	161,597	728	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	318,777	193,508	65,069	-
Total Nonoperating Revenues:		480,374	194,236	65,069	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	74,918	33,746	-	-
594-595	Capital Expenditures	418,428	12,124	70,223	4,582
597	Transfers-Out	318,777	82,012	23,825	2,600
Total Nonoperating Expenditures:		812,122	127,882	94,048	7,182
Net Increase (Decrease) in Cash and Investments:		210,005	(11,467)	(14,695)	(3,661)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	2,474,758	385,532	111	12,683
Total Ending Cash and Investments		2,474,758	385,532	111	12,683

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, 2015

		105 Tourism Fund	201 GO Bond '94 (City Hall/Library)	303 Capital Reserve Fund	401 Water Fund
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	155,426	4	262,739	768,854
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	136,131	-	46,141	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	3,246	613,164
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	222	-	446	3,092
Total Operating Revenues:		136,353	-	49,834	616,256
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	274,082
540	Transportation	-	-	-	-
550	Natural and Economic Environment	114,383	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		114,383	-	-	274,082
Net Operating Increase (Decrease):		21,970	-	49,834	342,174
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	-	-	7,337	91,002
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	29,000	-
Total Nonoperating Revenues:		-	-	36,337	91,002
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	-	-	-	30,748
594-595	Capital Expenditures	-	-	46,101	171,134
597	Transfers-Out	2,000	4	10,057	78,450
Total Nonoperating Expenditures:		2,000	4	56,158	280,331
Net Increase (Decrease) in Cash and Investments:		19,970	(4)	30,013	152,844
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	175,397	-	292,752	921,698
Total Ending Cash and Investments		175,397	-	292,752	921,698

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, 2015

		<u>402 Sewer Fund</u>	<u>403 Stormwater Utility Fund</u>	<u>406 PW Vehicle & Equip Reserve</u>
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	407,913	120,885	120,783
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	374,916	227,939	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	26,093	229	203
Total Operating Revenues:		<u>401,009</u>	<u>228,168</u>	<u>203</u>
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	329,392	112,197	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>329,392</u>	<u>112,197</u>	<u>-</u>
Net Operating Increase (Decrease):		<u>71,617</u>	<u>115,971</u>	<u>203</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	62,529	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	-	-	31,200
Total Nonoperating Revenues:		<u>62,529</u>	<u>-</u>	<u>31,200</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	10,424	-
594-595	Capital Expenditures	78,134	9,714	26,416
597	Transfers-Out	79,487	40,342	-
Total Nonoperating Expenditures:		<u>157,621</u>	<u>60,480</u>	<u>26,416</u>
Net Increase (Decrease) in Cash and Investments:		<u>(23,475)</u>	<u>55,491</u>	<u>4,987</u>
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	384,439	176,376	125,771
Total Ending Cash and Investments		<u>384,439</u>	<u>176,376</u>	<u>125,771</u>

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, 2016

		Total for All Funds (Memo Only)	625 Scott Memorial Fund	633 Treasurer's Agency	634 Flex One Fund
308	Beginning Cash and Investments	20,129	3,233	16,895	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	11	11	-	-
380-390	Other Increases and Financing Sources	249,724	-	248,043	1,681
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	266,772	-	264,935	1,838
	Net Increase (Decrease) in Cash and Investments:	(17,037)	11	(16,892)	(157)
508	Ending Cash and Investments	3,091	3,244	4	(156)

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, 2015

		Total for All Funds (Memo Only)	625 Scott Memorial Fund	633 Treasurer's Agency	634 Flex One Fund
308	Beginning Cash and Investments	13,044	3,228	9,816	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	5	5	-	-
380-390	Other Increases and Financing Sources	266,543	-	264,575	1,968
510-570	Expenditures	-	-	-	-
580-590	Other Decreases and Financing Uses	259,464	-	257,496	1,968
	Net Increase (Decrease) in Cash and Investments:	7,084	5	7,079	-
508	Ending Cash and Investments	20,129	3,233	16,895	-

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	\$1,731,391	\$1,514,490	\$216,901
101 Street Fund	\$1,131,347	\$158,053	\$973,294
104 Cemetery Fund	\$22,588	\$11,934	\$10,654
105 Tourism Fund	\$262,054	\$133,334	\$128,720
303 Capital Reserve Fund	\$347,069	\$59,267	\$287,802
401 Water Fund	\$1,668,724	\$653,836	\$1,014,888
402 Sewer Fund	\$762,061	\$461,860	\$300,201
403 Storm Water Fund	\$416,667	\$209,610	\$207,057
406 PW Vehicle & Equip	\$146,133	\$59,885	\$86,248
625 Scott Memorial Fund	\$3,236	\$0	\$3,236
Total	\$6,491,270	\$3,262,269	\$3,229,001

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 receive payment for unused sick leave at 25%. 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, 2016, 98 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 equipment breakdown insurance coverage. Equipment breakdown 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 \$15 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 Argonaut Insurance Company. The \$5 million in excess

liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, AWC RMSA carried a retention of \$100,000 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, 2016 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	\$796,691.05	\$0	\$796,691.05
U.S. Gov. Securities	\$0	\$0	\$0
L.G.I.P.	\$979,536.01	\$0	\$979,536.01
US Bank Safekeeping	\$501,214.34		\$501,214.34
Total	\$2,277,441.40	\$	\$2,277,441.40

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 2016 was \$1.6368 per \$1,000 on an assessed valuation of \$249,310,799 for a total regular levy of \$408,095.

Note 4 - Interfund Loans

The City of Langley had no interfund loan activity during 2016.

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 2016.

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:

	Principal	Interest	Total
2016	\$63,058	\$10,943	\$74,001
2017	\$34,535	\$9,166	\$43,701
2018	\$35,172	\$8,246	\$43,418
2019	\$26,435	\$7,311	\$33,746
2020	\$27,106	\$6,640	\$33,746
2021-2025	\$146,193	\$22,540	\$168,733
Totals	\$332,499	\$64,846	\$397,345

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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2016 (the measurement date of the plans), the City of Langley's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability
PERS 1	0.000000%	-
PERS 1 UAAL	0.004914%	263,905
PERS 2 and 3	0.006288%	316,596
Public Safety ERS 2		-

SERS 2 and 3		-
TRS 1		-
TRS 2 and 3		-
Total		580,501

[2] LEOFF Plan 2

The City of Langley 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.

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.
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- 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	\$1,629,782	\$1,401,020	\$228,762
101 Street Fund	\$712,120	\$216,675	\$495,445
104 Cemetery Fund	\$21,050	\$14,657	\$6,393
105 Tourism Fund	\$146,575	\$116,383	\$30,192
303 Capital Reserve Fund	\$327,822	\$56,158	\$271,664
401 Water Fund	\$1,564,576	\$544,413	\$1,020,163
402 Sewer Fund	\$625,241	\$487,012	\$138,228
403 Storm Water Fund	\$349,473	\$172,677	\$176,796
406 PW Vehicle & Equip	\$150,731	\$26,416	\$124,315
625 Scott Memorial Fund	\$3,229	\$0	\$3,229
Total	\$5,530,599	\$3,035,411	\$2,495,187

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 receive payment for unused sick leave at 25%. 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, 2015, 102 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 2015, AWC RMSA carried a retention of \$100,000 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, 2015 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	\$996,497.51	\$0	\$996,497.51
U.S. Gov. Securities	\$0	\$0	\$0
L.G.I.P.	\$974,887.62	\$0	\$974,887.62
US Bank Safekeeping	\$296,436.73		\$296,436.73
Total	\$2,267,821.86	\$	\$2,267,821.86

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 2015 was \$1.6975 per \$1,000 on an assessed valuation of

\$235,487,493 for a total regular levy of \$399,742.

Note 4 - Interfund Loans

The City of Langley had no interfund loan activity during 2015.

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 2015.

The debt service requirements for general obligation bonds and revenue bonds and Public Works Trust Fund Loans are as follows:

	Principal	Interest	Total
2015	\$62,451	\$12,707	\$75,158
2016	\$63,058	\$10,943	\$74,001
2017	\$34,535	\$9,166	\$43,701
2018	\$35,172	\$8,246	\$43,418
2019	\$26,435	\$7,311	\$33,746
2020-2024	\$142,578	\$26,152	\$168,730
Totals	\$364,229	\$74,525	\$438,754

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

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2015 (the measurement date of the plans), the City of Langley's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability
PERS 1	0.000000%	-
PERS 1 UAAL	0.004538%	237,380
PERS 2 and 3	0.005863%	209,488

Public Safety ERS 2		-
SERS 2 and 3		-
TRS 1		-
TRS 2 and 3		-
Total		446,868

[2] LEOFF Plan 2

The City of Langley 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.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Go Bond 2015	12/1/2028	372,122	-	24,496	347,626
	Total General Obligation Debt/Liabilities:		372,122	-	24,496	347,626
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	PW Trust Fund	7/1/2018	28,173	-	9,391	18,782
263.82	PW Trust Fund	7/1/2016	29,144	-	29,145	(1)
259.12	Compensated Absences		78,335	43,200	29,348	92,187
264.30	Net Pension Liabilities		446,868	133,633	-	580,501
	Total Revenue and Other (non G.O.) Debt/Liabilities:		582,520	176,833	67,884	691,469
	Total Liabilities:		954,642	176,833	92,380	1,039,095

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	Go Bond 2015	12/1/2028	396,038	-	23,916	372,122
	Total General Obligation Debt/Liabilities:		396,038	-	23,916	372,122
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	PW Trust Fund	7/1/2018	37,564	-	9,391	28,173
263.82	PW Trust Fund	7/1/2016	58,288	-	29,145	29,143
259.12	Compensated Absences		78,197	27,293	27,155	78,335
264.30	Net Pension Liabilities		-	446,868	-	446,868
	Total Revenue and Other (non G.O.) Debt/Liabilities:		174,049	474,161	65,691	582,519
	Total Liabilities:		570,087	474,161	89,607	954,641

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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