



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Mill Creek

Snohomish County

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

Published June 21, 2018

Report No. 1021550





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

June 21, 2018

City Council
City of Mill Creek
Mill Creek, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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

**City of Mill Creek
Snohomish County
January 1, 2016 through December 31, 2016**

City Council
City of Mill Creek
Mill Creek, 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 Mill Creek, Snohomish County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated June 19, 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 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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

June 19, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Mill Creek Snohomish County January 1, 2016 through December 31, 2016

City Council
City of Mill Creek
Mill Creek, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Mill Creek, Snohomish County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 Mill Creek 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 Mill Creek, for the year ended December 31, 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

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

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 19, 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.



Pat McCarthy

State Auditor

Olympia, WA

June 19, 2018

FINANCIAL SECTION

**City of Mill Creek
Snohomish County
January 1, 2016 through December 31, 2016**

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016

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

		Total for All Funds (Memo Only)	001 GENERAL FUND	103 CITY STREET	125 PATHS & TRAILS
Beginning Cash and Investments					
30810	Reserved	59,086	-	34,035	-
30880	Unreserved	15,032,835	6,483,069	120,072	8,156
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	12,101,247	10,292,779	-	-
320	Licenses and Permits	978,888	935,200	43,688	-
330	Intergovernmental Revenues	970,660	443,045	463,343	-
340	Charges for Goods and Services	4,032,113	841,131	-	-
350	Fines and Penalties	179,923	173,888	6,035	-
360	Miscellaneous Revenues	373,313	89,462	1,562	2
Total Revenues:		18,636,144	12,775,505	514,628	2
Expenditures					
510	General Government	2,353,253	2,203,337	-	-
520	Public Safety	8,346,597	8,339,386	-	-
530	Utilities	571,499	-	-	-
540	Transportation	843,281	333,026	510,255	-
550	Natural and Economic Environment	1,109,938	1,109,938	-	-
560	Social Services	5,220	5,220	-	-
570	Culture and Recreation	905,240	317,618	-	-
Total Expenditures:		14,135,028	12,308,525	510,255	-
Excess (Deficiency) Revenues over Expenditures:		4,501,116	466,980	4,373	2
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	2,557,190	487,905	-	2,000
385	Special or Extraordinary Items	36,260	36,260	-	-
386 / 389	Custodial Activities	123,539	11,452	13,988	-
381, 395, 398	Other Resources	11,625	9,301	2,324	-
Total Other Increases in Fund Resources:		2,728,614	544,918	16,312	2,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,122,279	95,686	3,121	-
591-593, 599	Debt Service	114,116	-	-	-
597	Transfers-Out	2,557,190	931,004	6,605	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	38,793	7,599	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,832,378	1,034,289	9,726	-
Increase (Decrease) in Cash and Investments:		2,397,352	(22,391)	10,959	2,002
Ending Cash and Investments					
5081000	Reserved	65,953	-	40,000	-
5088000	Unreserved	17,423,327	6,460,678	125,066	10,158
Total Ending Cash and Investments		17,489,280	6,460,678	165,066	10,158

The accompanying notes are an integral part of this statement.

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

		130 DRUG BUY FUND	145 15720 MAIN ST. PROPERTY FUND	226 OTHER DEBT SERVICE FUND	227 LOCAL REVITALIZATIO N FUND
Beginning Cash and Investments					
30810	Reserved	-	19,460	-	-
30880	Unreserved	62,261	721,354	11,786	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	17,631	-	35,023
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,397	146,653	4	-
Total Revenues:		1,397	164,284	4	35,023
Expenditures					
510	General Government	-	127,716	-	-
520	Public Safety	7,211	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		7,211	127,716	-	-
Excess (Deficiency) Revenues over Expenditures:		(5,814)	36,568	4	35,023
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	35,500	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	13,627	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	13,627	35,500	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	267,887	-	-
591-593, 599	Debt Service	-	-	33,299	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	13,589	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	281,476	33,299	-
Increase (Decrease) in Cash and Investments:		(5,814)	(231,281)	2,205	35,023
Ending Cash and Investments					
5081000	Reserved	-	19,687	-	-
5088000	Unreserved	56,446	489,846	13,991	35,023
Total Ending Cash and Investments		56,446	509,533	13,991	35,023

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

		314 REAL ESTATE EXCISE TAX	316 CAPITAL IMPROVEMENT	317 PARKS & OPEN SPACE CAP. IMPR.	318 ROAD IMPROVEMENT
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	2,779,900	7,782	2,396,667	474,550
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,755,814	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	1,130,811	912,367
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	35,400	17	18,789	32,547
Total Revenues:		1,791,214	17	1,149,600	944,914
Expenditures					
510	General Government	31	-	41	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		31	-	41	-
Excess (Deficiency) Revenues over Expenditures:		1,791,183	17	1,149,559	944,914
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	755,000	-	984,985
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	755,000	-	984,985
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	437,659	15,756	1,154,753
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	1,583,625	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,583,625	437,659	15,756	1,154,753
Increase (Decrease) in Cash and Investments:		207,558	317,358	1,133,803	775,146
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	2,987,459	325,140	3,530,471	1,249,697
Total Ending Cash and Investments		2,987,459	325,140	3,530,471	1,249,697

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

		401 SURFACE WATER UTILITY	408 RECREATION ENTERPRISE	509 EQUIPMENT REPLACEMENT	521 UNEMPLOYME NT COMP/SELF
Beginning Cash and Investments					
30810	Reserved	-	5,591	-	-
30880	Unreserved	582,051	(40,994)	1,396,789	29,392
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	64,272	-	-	-
340	Charges for Goods and Services	703,031	444,773	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	20,288	27,189	3
Total Revenues:		767,303	465,061	27,189	3
Expenditures					
510	General Government	-	-	-	22,128
520	Public Safety	-	-	-	-
530	Utilities	571,499	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	587,622	-	-
Total Expenditures:		571,499	587,622	-	22,128
Excess (Deficiency) Revenues over Expenditures:		195,804	(122,561)	27,189	(22,125)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	153,000	138,800	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	84,450	22	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		84,450	153,022	138,800	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	140,849	-	6,568	-
591-593, 599	Debt Service	80,817	-	-	-
597	Transfers-Out	35,956	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	17,605	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		257,622	17,605	6,568	-
Increase (Decrease) in Cash and Investments:		22,632	12,856	159,421	(22,125)
Ending Cash and Investments					
5081000	Reserved	-	6,266	-	-
5088000	Unreserved	604,684	(28,809)	1,556,210	7,267
Total Ending Cash and Investments		604,684	(22,543)	1,556,210	7,267

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CITY OF MILL CREEK
FIDUCIARY FUND RESOURCES AND USES
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2016

STATEMENT C-5

	Total for All Fiduciary Funds	653 Traffic Violations Bureau
Beginning Cash and Investments	\$38	\$38
Prior Period Adjustments	0	0
Revenue and Other Financing Sources	0	0
Total Resources	0	0
Expenditures And Other Financing Uses	0	0
Excess (Deficit) of Resources Over Uses	0	0
Nonrevenues (Except 384)	317,569	317,569
Nonexpenditures (Except 584)	316,835	316,835
Ending Cash and Investments	\$772	\$772

The Accompanying Notes are an Integral Part of this Statement.

CITY OF MILL CREEK
Notes to the Financial Statements
For the year ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The City of Mill Creek was incorporated on September 30, 1983 and operates under the laws of the State of Washington applicable to code cities with a Council-Manager form of government. The city is a general purpose local government and provides public safety, development services, land use and planning, street maintenance and improvements, parks and recreation, and general administrative services. Water and sewer utilities are provided by Alderwood Water District and Silver Lake Water District.

The City of Mill Creek 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 City'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 are the fund types used by the City of Mill Creek:

GOVERNMENTAL FUND TYPES:

General Fund - 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 - 100

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

Debt Service Funds – 200

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 - 300

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 - 400

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

Internal Service Funds - 500

These funds account for operations that provide goods or services to other departments or funds of the City on a cost reimbursement basis.

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 - 600

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

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the City of Mill Creek 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.

C. Budgets

The City adopts biennial appropriated budgets for all funds except fiduciary funds. These budgets are appropriated at the fund level except the general (current expense) fund, where the budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the end of the two year fiscal period.

Biennial 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:

Fund/Department	2015-2016 Final Appropriation	2016 Actual Expenditures	Variance
General Fund:			
Legislative	\$141,445	\$62,023	\$79,422
Executive	\$1,522,044	\$709,957	\$812,087
Finance	\$1,432,898	\$780,813	\$652,085
Police	\$8,827,716	\$4,356,285	\$4,471,431
Criminal Justice	\$887,538	\$456,944	\$430,594
Non-Department	\$8,769,741	\$4,833,871	\$3,935,870
Community Dev/Building	\$2,242,915	\$1,105,979	\$1,136,936
Public Works	\$1,672,780	\$838,066	\$834,714
Other Special Revenue Funds	\$274,500	\$198,876	\$75,624
Total General Fund	\$25,771,577	\$13,342,814	\$12,428,763
City Street Fund	\$1,094,222	\$519,981	\$574,241
Paths & Trails Fund	\$4,000	\$0	\$4,000
Drug Buy Fund	\$26,000	\$7,211	\$18,789
15720 Main St. Prop. Fund	\$860,294	\$409,192	\$451,102
Debt Service Fund	\$259,395	\$33,299	\$226,096
Real Estate Excise Tax Fund	\$2,876,000	\$1,583,656	\$1,292,344
Capital Improvement Fund	\$1,510,000	\$437,660	\$1,072,340
Park Capital Improvement Fund	\$1,410,000	\$15,796	\$1,394,204
Road Improvement Fund	\$2,150,000	\$1,154,753	\$995,247
Surface Water Utility Fund	\$2,362,752	\$829,121	\$1,533,631
Recreation Enterprise Fund	\$1,260,385	\$605,227	\$655,158
Equip Replacement Fund	\$383,622	\$6,568	\$377,054
Self Insurance Fund	\$22,500	\$22,128	\$372
Total All Funds	\$39,990,747	\$18,967,406	\$21,023,341

The City Manager is authorized to transfer budgeted amounts between departments within any fund or between 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 Council.

D. Cash and Investments

See Note 3, Deposits and Investments.

E. Capital Assets

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

F. Compensated Absences

Vacation leave may be accumulated up to 200 hours for non-represented and AFSCME employees and up to 300 hours for Police Guild members. Accumulated vacation is payable upon resignation, retirement or death.

Sick leave may be accumulated for succeeding years up to a maximum of 1,040 hours. Upon separation or retirement, the following groups of the City employees shall be paid for unused sick leave benefits based on the following criteria:

- a. Upon separation of employment non-represented and AFSCME employees with at least ten (10) continuous years of service or total service of fifteen (15) years or more are paid 25% of their unused sick leave balance up to 200 hours.
- b. Officers who have served the City for a period of ten (10) consecutive years shall receive 25% of their unused sick leave upon separation of employment and as long as they are eligible for and are receiving LEOFF retirement benefits. Officers who die while off-duty at any time during their employment with the City will receive 25% of their unused sick leave. Officers who die in the line of duty will receive 100% of their unused sick leave balance, as long as the officer was a current employee of the City and performing official duties consistent with the laws, regulations, and policies of the City at the time of death.
- c. All other employees receive no payment for any unused sick leave balance upon separation of employment with the City.

The projected December 31, 2016 liability for compensated balances is \$527,471.42. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 6, Debt Service Requirements.

H. Other Financing Sources and Uses

The City's "Other Financing Sources and Uses" consist of operating transfers in, operating transfers out and bond proceeds, if any. The following schedule shows operating transfers during 2016:

	Transfer In	Transfer Out
001 General Fund	487,905	931,004
103 City Street Fund		6,605
125 Paths & Trails	2,000	
226 Debt Service Fund	35,500	
314 Real Estate Excise Tax		1,583,625
316 Capital Improvement Fund	755,000	
318 Road Improvement	984,985	
401 Surface Water		35,956
408 Recreation Fund	153,000	
509 Equipment Replacement	138,800	
Total	\$ 2,557,190	\$ 2,557,190

I. Risk Management

The City of Mill Creek 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 168 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, 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.

The City opted to be self-insured and established an unemployment compensation fund to accumulate and cover costs for payment of unemployment claims. The City does not pay unemployment on payroll, but rather, pays on a reimbursable basis in the event of an unemployment claim.

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

Reservations of Ending Cash and Investments consist of the following:

- The City Street Fund, in part, collects deposits from developers for work performed in right of ways in the City limits. These deposits are refundable upon approved completion of the project. The City Street fund held \$40,000 in refundable street deposits.
- Tenants in the Annex Building pay a security deposit as part of the leasing process. The funds are held and used to compensate the City for any unpaid rent or damages. Total security deposits of \$19,687 were held as of December 31, 2016.
- The City of Mill Creek provides meeting room rental and sports park rentals to the public. To rent these facilities, the City requires a deposit. The reservation deposit amount as of December 31, 2016 was \$6,266.

Note 2 – Compliance and Accountability

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

Note 3 – Deposits and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on investments in the Local Government Investment Pool is prorated to the various funds.

All deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the City or its agent in the government's name.

Investments are reported at original cost. Cash, cash equivalents (including pooled investments) and investments by type as of December 31, 2016 are as follows:

Bank and Petty Cash Balance	\$357,602
Local Gov't Investment Pool	\$6,902,868
US Government Securities	\$10,228,809
Total Cash & Investments	\$17,489,279

Note 4 - Property Tax

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

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 15	Tax bills are mailed.
April 30	The first of two equal property tax installments is due.
May 31	Assessed value of property is established for next year's levy at 100 percent of market value.
October 31	The second annual installment is due.

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 taxes are levied.

The City's regular levy for the year 2016 was \$1.97 per \$1,000 on an assessed valuation of \$3,056,655,758 for a total regular levy of \$6,025,879.

The City is also authorized to levy an additional \$0.45 per \$1,000 of assessed valuation for emergency medical service (EMS). The City remits the revenue as part of its contract cost to Fire District No. 7, for fire and emergency medical services. This levy is valid for six years, and was renewed in August 2011 through voter approval. The EMS levy for 2016 was \$0.41 per \$1,000 for a total levy of \$1,260,398.

Note 5 – Interfund Loans and Advances

There were no interfund loans or advances in 2016.

Note 6 – Debt Service Requirements

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

In October 1999, Snohomish County issued limited tax general obligation bonds through a competitive bid process. A portion of these bonds are for the purpose of funding the multi-jurisdictional 800 MHz Project. Mill Creek's portion of these bonds was \$451,709. Repayment of the bonds occurs over 20 years with interest rates ranging from 3% to 5.25%.

Repayment began in June, 2000. As of December 31, 2016, remaining debt service, including principal and interest, is \$99,313.

Year	Principal	Interest	Total
2017	\$28,686	\$4,508	\$33,194
2018	\$29,951	\$3,073	\$33,024
2019	\$31,519	\$1,576	\$33,095
Totals	\$90,156	\$9,157	\$99,313

The City has an outstanding loan in the amount of \$921,500, which was accepted in April 2008. The term of this loan is 20 years with an interest rate of one-half percent, with final payment due July 1, 2026. This loan was for construction work associated with the Penny Creek Culvert replacement at Mill Creek Road. This loan is the obligation of the Surface Water Utility Fund, and is being repaid with utility service charges. As of December 31, 2016, remaining debt service, including principal and interest, is \$498,340.

Year	Principal	Interest	Total
2017	\$48,500	\$2,425	\$50,925
2018	\$48,500	\$2,183	\$50,683
2019	\$48,500	\$1,940	\$50,440
2020	\$48,500	\$1,698	\$50,198
2021	\$48,500	\$1,455	\$49,955
2022	\$48,500	\$1,213	\$49,713
2023	\$48,500	\$970	\$49,470
2024	\$48,500	\$728	\$49,228
2025	\$48,500	\$485	\$48,985
2026	\$48,500	\$243	\$48,743
Total	\$485,000	\$13,340	\$498,340

Note 7 – Pension Plans

Substantially all of the City's 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: Public Employees' Retirement System (PERS) and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF).

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.

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

	Allocation %	Liability (Asset)
PERS Plan 1	0.022265%	\$ 1,195,735
PERS Plan 2/3	0.028654%	\$ 1,442,706
LEOFF Plan 1	0.001912%	(\$ 19,699)
LEOFF Plan 2	0.069706%	(\$ 405,431)

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.

Municipal Employees Benefit Trust

The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418(g), effective January 1, 1975. Employees who work 1,000 or more hours per year are eligible but not required to participate in the plan. There were 128 City employees who participated in the program during 2016, including seasonal employees. The City's contribution for 2016 was \$258,600; employee contributions were \$389,837 during the same period. The rate the City must pay and the employee may pay is equal to the Social Security rate of 6.2%. Assets of the Plan consist of stocks, bonds, and guaranteed insurance contracts, and are not the property of the City and are not subject to the claims of the City's general creditors. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the City and all applicable IRS regulations. Plan provisions may be established or amended by a majority vote of the Plan Committee. Actuarial determinations are not required because (1) long-term disability insurance and survivor income insurance are provided by a group insurance policy with the StanCorp Financial Group, Inc., and (2) each participant shall at his normal retirement instruct the trustee to either (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay the retirement benefits from the employee's deferred saving account to which no contribution by the City or the participant can be added after retirement, or (c) pay a single lump-sum payment equal to the accumulated balance in the employee's deferred saving account as of his retirement date.

Note 8 – Claims and Judgments

At the end of 2016, there were no material claims or judgements pending against the City. The City of Mill Creek participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in request for reimbursements to grantor agencies for

expenditures disallowed under the terms of the grants. The City of Mill Creek management believes that such disallowances, if any, would be immaterial.

Note 9 – Joint Ventures

Southwest Snohomish County Public Safety Communications Agency (SNOCOM):

The City of Mill Creek 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 Mill Creek and 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, 2016, the City of Mill Creek owned an equity interest in the SNOCOM joint venture of \$343,944. 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 provides general financial services as outlined in 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 219th St SW, Suite 200, Mountlake Terrace, WA 98043.

Snohomish Emergency Radio System (SERS):

The Snohomish County Emergency Radio System (SERS), a nonprofit corporation pursuant to chapter 24.06 RCW and IRC501(c)(3), was established via an interlocal agreement in 1999 with Snohomish County, SNOCOM, SNOPAC, and the Cities of Brier, Edmonds, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Woodway. The purpose of SERS is to design, develop, finance, acquire, install, operate, maintain, repair and replace the county's public safety communications service. The governing board consists of ten directors, one appointed by each City and County member, with the authority to take all actions on behalf of SERS. As of December 31, 2016, the City of Mill Creek had an equity interest in the SERS joint venture of approximately \$104,000. Separate financial statements for the joint venture may be obtained from Snohomish County, Finance Department, 3000 Rockefeller Avenue, Everett, WA 98201.

AHA – Alliance for Housing Affordability:

In September, 2013, the City of Mill Creek joined the cities of Edmonds, Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the Town of Woodway, and Snohomish County to establish the Alliance for Housing Affordability (AHA). The agreement was amended in May, 2014 to add the City of Arlington and in June, 2014 to add the City of Stanwood.

The purpose of AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

AHA is governed by a Joint Board composed of an elected official from each member. The Joint Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff housed at the Housing Authority for Snohomish County. Fiscal agent duties are performed by the City of Mountlake Terrace.

Each member city is responsible for contributing operating revenues as determined from the AHA annual budget. Contributions from the member cities are based on each member's population. A grant from the Gates Foundation provided \$50,000 to assist with the first three years of organizational start-up. The City of Mill Creek's equity share to date is:

Fiscal Year 7/1/XX- 6/30/XX	AHA's Total Fiscal Year Budget	City of Mill Creek's Share of Budget	City of Mill Creek's Share as % of Total AHA Budget
2013	\$89,850	\$1,088	3.0%
2014	\$92,543	\$1,121	2.9%
2015	\$123,464	\$1,109	2.8%
2016	\$145,590	\$1,103	2.8%
2017	\$97,934	\$1,654	2.8%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

Budget monitoring information can be obtained from the Finance Director, City of Mountlake Terrace, 6100 219th Street SW, Mountlake Terrace, WA 98043 or from Alliance for Housing Affordability, 12625 4th Ave W, Suite 200, Everett, WA 98204.

Snohomish County Department of Emergency Services

On January 1, 2016, the City of Mill Creek entered into an Interlocal Agreement (ILA) with the Snohomish County Department of Emergency Management (DEM) to provide emergency management service to Mill Creek. As of that date, all cities (except Everett) will be members of DEM, as well as unincorporated Snohomish County, Stillaguamish Tribe of Indians and Tulalip Tribes. DEM coordinates emergency management in partnership with the whole community to lessen the impact of disasters on people, property, the environment and the economy.

The initial term of the ILA will be three years, from January 1, 2016 to December 31, 2018. For 2016, the cost is \$1.15 per capita per year. Each year after, the rate will vary with the local CPI. This represents a savings over the \$2.37 we were being charged by the former emergency management ILA.

As of December 31, 2016, the City of Mill Creek had paid \$22,758 to the DEM.

NOTE 10 – Health & Welfare

The City of Mill Creek is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Permanente (formerly Group Health Cooperative/Group Health Options, Inc.), Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

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

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

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

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

NOTE 11 – Other Post-Employment Benefits

Per state statute the City must provide for substantially all medical costs for retired members of the Law Enforcement Officers and Fire Fighters (LEOFF1) retirement system. The City is responsible for one individual under this law. To meet this responsibility the City purchases and pays premiums for medical and long term care insurance. The City also reimburses the individual for any out of pocket costs such as deductibles and co-pays as determined by the County LEOFF1 Board. The City feels the annual costs for these expenses are minimal and therefore does not maintain any reserves for their future payment. Other than this one individual, the City has no other obligation for post-employment benefits to any of its former employees.

NOTE 12 – Unemployment Compensation

The City opted to be self-insured and established an unemployment compensation fund in 1990 to accumulate and cover costs for payment of unemployment claims. The City does not pay unemployment on payroll, but rather, pays the State of Washington on a reimbursable basis in the event of an unemployment claim. The Unemployment Compensation Fund receives payments from operating funds and departments.

NOTE 13 – Other Disclosures – Fire Services and Fire Station 76

The City has a long standing contractual relationship with Snohomish County Fire District No. 7 to provide Fire and Emergency Medical Services. The original 20 year contract, as amended, expired December 31, 2016. A provision of one year is allowed to continue service while a new contract is negotiated. The parties have reached a tentative agreement which would cover a period of six years.

In addition to the Fire and Emergency Medical Services, the parties jointly own Fire Station 76, located at 1020 153rd St. SE, Mill Creek, Washington. The Parties have previously agreed to "freeze" the purchase price and equity as set forth in the 2012 amendment to the original 1996 Fire Service Contract. The original purchase price for the Fire Station would be the difference between \$1,838,543 and the City's equity in the Fire Station of \$678,148, or \$1,160,395.

**City of Mill Creek
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						
263.81	800 MHZ Bonds	12/1/2019	117,576	-	27,420	90,156
263.51	Printer Lease	8/31/2016	496	-	496	-
Total General Obligation Debt/Liabilities:			118,072	-	27,916	90,156
Revenue and Other (non G.O.) Debt/Liabilities						
264.30	Total Net Pension Liability		2,432,996	205,446	-	2,638,442
259.12	Compensated Absences		533,592	5,286	11,407	527,471
263.82	Public Works Trust Fund	7/1/2016	29,356	-	29,356	-
263.82	Public Works Trust Fund	7/1/2026	533,500	-	48,500	485,000
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,529,444	210,732	89,263	3,650,913
Total Liabilities:			3,647,516	210,732	117,179	3,741,069

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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