



Office of the Washington State Auditor

Pat McCarthy

## Financial Statements Audit Report

# City of Langley

For the period January 1, 2019 through December 31, 2020

*Published March 3, 2022*

Report No. 1029998



Find out what's new at SAO  
by scanning this code with  
your smartphone's camera



## Office of the Washington State Auditor Pat McCarthy

March 3, 2022

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".

Pat McCarthy, State Auditor  
Olympia, WA

### ***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

## TABLE OF CONTENTS

|   |    |
|---|----|
| Schedule of Audit Findings and Responses.....   | 4  |
| 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..... | 9  |
| Independent Auditor's Report on the Financial Statements .....  | 12 |
| Financial Section.....  | 16 |
| About the State Auditor's Office.....   | 45 |

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Langley January 1, 2019 through December 31, 2020

**2020-001 The City's internal controls over its financial operations and process for preparing financial statements were inadequate for ensuring accurate financial reporting and safeguarding of public resources.**

#### ***Background***

State and federal agencies, the City Council, and the public rely on the information included in the financial statements and reports to make decisions. City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance financial reporting is reliable and financial statements are fairly presented.

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding. The Applicable Laws and Regulations section below defines the standards for material weaknesses.

#### ***Description of Condition***

The City prepares its financial statements in accordance with the cash basis accounting method prescribed in the *Budgeting, Accounting and Reporting System* (BARS) manual. The City received management letters in the prior two audits for inadequate controls over preparing financial statements. During the current audit, we found these same concerns remain.

Inaccurate financial reports limit access to financial information that City officials, the public, state and federal agencies, and other interested parties use. Inaccurate financial reports also hinder the audit process and increase audit costs.

The City also allows the same person to receipt, deposit, reconcile daily cash received, and make adjustments to the accounting system without an independent person to review each step timely.

Our audit found the following deficiencies in internal controls over the City's financial reporting that, when taken together, represent a material weakness:

- City employees responsible for compiling financial information lacked technical knowledge and experience needed to accurately prepare the financial statements, notes to the financial statements, and related schedules.
- The City lacked an effective review process for ensuring amounts reported in the financial statements and schedules agreed to the underlying accounting records and followed BARS manual guidance.
- The City's monitoring over bank reconciliations was inadequate for ensuring they were accurate and complete.

### ***Cause of Condition***

The City has not dedicated the necessary time and resources to establishing effective internal controls over preparing financial statements. Additionally, the City has not designated someone to perform an independent review of financial activity, including bank reconciliations, financial statements, and related schedules.

### ***Effect of Condition***

Because of the deficiencies in internal controls, we found the following errors:

- Transfers between funds were understated by \$601,313 in 2019 and \$836,795 in 2020.
- The City did not implement required accounting changes for determining reportable fiduciary activities. As a result, additions and deductions in the fiduciary fund were overstated by approximately \$253,400 in 2019 and \$246,600 in 2020.
- In 2020, the City's implementation of required accounting changes over ending fund balance classifications did not agree with the BARS manual. As a result, ending fund balances were misclassified by \$2.7 million.
- In 2020, the City could not provide an explanation for unreconciled amounts between its bank statements and accounting records. Amounts reported on the financial statements did not agree to the bank statements by \$50,597 for expenditures and \$44,515 for year-end cash.

These internal control deficiencies also increase the risk that the City would not be able to prevent or detect significant misstatements in the financial information or misappropriation or misuse of City resources.

## ***Recommendation***

We recommend the City dedicate the necessary resources to:

- Ensure employees responsible for preparing financial information have adequate training and resources to present financial schedules accurately
- Implement an effective review process over preparing the financial statements and related schedules
- Develop internal controls to monitor bank reconciliations, including ensuring reconciling items affecting the financial statements are identified and correctly recorded

## ***City's Response***

*The City of Langley accepts the Auditor's findings with regards to deficiencies in internal controls over accounting and financial reporting that affected our ability to produce reliable and accurate financial statements. We acknowledge that this has been a chronic issue for the city going back at least 2 previous audits and that we have not had independent oversight in the past few years. These deficiencies led to transfers between funds being understated by \$601,313 in 2019 and \$836,795 in 2020; additions and deductions in the fiduciary fund being overstated by approximately \$253,400 in 2019 and \$246,600 in 2020; errors made during the auditing process and other deficiencies that were listed in the Auditor's findings.*

*The city has relied on Vision software for 12 years and on Excel spreadsheets for compiling reports. This dual-platform system has proven to be highly problematic and we have been investigating alternatives for over a year. The Mayor believes the Clerk/Treasurer to be professional and capable of performing her job and she has been, and will continue, to receive additional training to both maximize the potential of our current software systems and to help the city to transition to a better software platform.*

*The City of Langley also acknowledges that, as a result of having such a small staff without the appropriate training, we have not had the capacity to review reports. At the end of 2021 Council authorized the creation of a financial and personnel commission. Among the committee's tasks will be to review all financial reports, budgets, and reconciliations. The Mayor is now accepting applications for this committee and it should be up and running by mid-March 2022.*

*The City of Langley has been working on developing improved internal controls. Currently, front desk staff receive payments and give them to the Assistant Clerk.*

*The Assistant Clerk Darlene Baldwin (and soon the Assistant Treasurer when we hire one in the near future) balances receipts and makes deposit in person at Whidbey Island Bank (aka Heritage Bank), the Clerk/Treasurer Monica Felici reconciles the bank statements.*

*We have been short staffed, especially since our primary front desk person, who was only working part-time, moved out of state earlier this month. Some days the Assistant Clerk or the Clerk/Treasurer fill in for the front desk position. We are hiring a full-time assistant soon who should be able to cover most front desk hours except when they are on vacation or out sick.*

*There has been discussion with the Auditor's office as to whether the claims clearing funds are to be reported in the schedules. They have not been reported in previous audits and have caused a difference in the transfer of funds. The clearing funds are for payroll and accounts payable. Money is transferred into the clearing funds as needed to clear warrants.*

*The City of Langley has worked closely with the Auditors and have made many adjustments.*

*Per the Auditor's recommendations, the city has already made adjustments to fiduciary activities during this audit. Payroll taxes that were reported in a fiduciary fund by the city for years are now reported under the 632-payroll clearing fund. We have also moved the Scott Memorial Fund to the 303-Municipal Reserve fund.*

*Splitting out of the ending balances was a new state requirement for 2020. The clerk attended classes but there was still a misunderstanding of how ending balances were to be split. The City of Langley did work with the Auditors and have corrected the mistakes. The total ending balance amount was correct but was not split out as restricted, committed, or reserved correctly.*

*Regarding the unreconciled amounts for 2020, the City Clerk was told that these amounts were immaterial, so did not spend the time originally to find (as we were nearing the end of the audit). Since the end of the audit, staff did review and sent the Auditors the breakdown of what the amounts accounted for.*

*Staff changed at the beginning of 2020 and changes have been made and continue to be made, to bring the City of Langley up to date with the BARS manual changes.*

*We believe that 2022 will be a watershed year for the City of Langley in terms of our financial reporting. Even if we are not able to obtain a new software platform due to budget limitations, we believe that the addition of a Finance and Personnel*

*Committee will help remedy the problems that have chronically appeared in past audits and we look forward to having our 2022 audit being the best ever*

### ***Auditor's Remarks***

We appreciate the steps the City has taken to resolve this issue and will review the condition during our next audit.

### ***Applicable Laws and Regulations***

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

## INDEPENDENT AUDITOR'S REPORT

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

**January 1, 2019 through December 31, 2020**

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, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 25, 2022.

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 state law 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.

As discussed in Note 5 to the financial statements, during the year ended December 31, 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS Manual.

As discussed in Note 3 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

## 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2020-001 to be material weaknesses.

## COMPLIANCE AND OTHER MATTERS

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

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

## CITY'S RESPONSE TO FINDINGS

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

February 25, 2022

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

#### **City of Langley January 1, 2019 through December 31, 2020**

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, for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

#### **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 state law 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 state law 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 cash and investments of the City of Langley, and its changes in cash and investments, for the years ended December 31, 2019 and 2020, 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, 2019 and 2020, or the changes in financial position or cash flows thereof 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.

## **Matters of Emphasis**

As discussed in Note 5 to the financial statements, in 2019, the City adopted new accounting guidance for presentation and disclosure of postemployment benefits other than pensions, as required by the BARS manual. Our opinion is not modified with respect to this matter.

As discussed in Note 3 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Our audits were conducted 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 February 25, 2022 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, appearing to read "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

February 25, 2022

## FINANCIAL SECTION

### **City of Langley January 1, 2019 through December 31, 2020**

#### **FINANCIAL STATEMENTS**

- Fund Resources and Uses Arising from Cash Transactions – 2020
- Fund Resources and Uses Arising from Cash Transactions – 2019
- Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2020
- Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019
- Notes to Financial Statements – 2020
- Notes to Financial Statements – 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

- Schedule of Liabilities – 2020
- Schedule of Liabilities – 2019

**City of Langley**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

|   |                                | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>001 General<br/>Government<br/>Fund</b> | <b>101 Street Fund</b> | <b>104 Cemetery<br/>Fund</b> |
|---|--------------------------------|--|--|------------------------|------------------------------|
| <b>Beginning Cash and Investments</b>           |                                |  |  |                        |                              |
| 308   | Beginning Cash and Investments | 3,467,374                                      | 337,957                                    | 94,410                 | 62,065                       |
| 388 / 588                                       | Net Adjustments                | 3,816  | 3,816                                      | -                      | -                            |
| <b>Revenues</b>                                 |                                |  |  |                        |                              |
| 310   | Taxes                          | 1,528,639                                      | 1,137,179                                  | -                      | -                            |
| 320   | Licenses and Permits           | 90,924   | 90,319                                     | 605                    | -                            |
| 330   | Intergovernmental Revenues     | 339,680  | 156,997                                    | 182,683                | -                            |
| 340   | Charges for Goods and Services | 1,819,829                                      | 102,729                                    | 3,000                  | 17,115                       |
| 350   | Fines and Penalties            | 651  | 651  | -                      | -                            |
| 360   | Miscellaneous Revenues         | 146,148  | 42,444                                     | 318                    | 285                          |
| Total Revenues:                                 |                                | 3,925,871                                      | 1,530,319                                  | 186,606                | 17,400                       |
| <b>Expenditures</b>                             |                                |  |  |                        |                              |
| 510   | General Government             | 704,149  | 704,149                                    | -                      | -                            |
| 520   | Public Safety                  | 379,824  | 379,824                                    | -                      | -                            |
| 530   | Utilities                      | 855,880  | -  | -                      | 24,302                       |
| 540   | Transportation                 | 186,677  | -  | 186,677                | -                            |
| 550   | Natural/Economic Environment   | 406,029  | 284,921                                    | -                      | -                            |
| 560   | Social Services                | 342  | 342  | -                      | -                            |
| 570   | Culture and Recreation         | 39,353   | 39,353                                     | -                      | -                            |
| Total Expenditures:                             |                                | 2,572,254                                      | 1,408,589                                  | 186,677                | 24,302                       |
| Excess (Deficiency) Revenues over Expenditures: |                                | 1,353,617                                      | 121,730                                    | (71)                   | (6,902)                      |
| <b>Other Increases in Fund Resources</b>        |                                |  |  |                        |                              |
| 391-393, 596                                    | Debt Proceeds                  | 4,016,205                                      | -  | -                      | -                            |
| 397   | Transfers-In                   | 1,335,194                                      | 16,303                                     | 164,445                | -                            |
| 385   | Special or Extraordinary Items | -  | -  | -                      | -                            |
| 381, 382, 389, 395, 398                         | Other Resources                | 178  | 39   | -                      | -                            |
| Total Other Increases in Fund Resources:        |                                | 5,351,577                                      | 16,342                                     | 164,445                | -                            |
| <b>Other Decreases in Fund Resources</b>        |                                |  |  |                        |                              |
| 594-595   | Capital Expenditures           | 525,898  | 24,343                                     | 158,943                | -                            |
| 591-593, 599                                    | Debt Service                   | 194,701  | 33,746                                     | -                      | -                            |
| 597   | Transfers-Out                  | 1,335,194                                      | 14,375                                     | 1,625                  | -                            |
| 585   | Special or Extraordinary Items | -  | -  | -                      | -                            |
| 581, 582, 589                                   | Other Uses                     | 1,167  | -  | -                      | 1,167                        |
| Total Other Decreases in Fund Resources:        |                                | 2,056,960                                      | 72,464                                     | 160,568                | 1,167                        |
| Increase (Decrease) in Cash and Investments:    |                                | 4,648,234                                      | 65,608                                     | 3,806                  | (8,069)                      |
| <b>Ending Cash and Investments</b>              |                                |  |  |                        |                              |
| 50821   | Nonspendable                   | -  | -  | -                      | -                            |
| 50831   | Restricted                     | 3,955,583                                      | -  | 98,215                 | -                            |
| 50841   | Committed                      | 5,000  | 5,000                                      | -                      | -                            |
| 50851   | Assigned                       | 3,760,457                                      | 4,000                                      | -                      | 53,996                       |
| 50891   | Unassigned                     | 398,382  | 398,382                                    | -                      | -                            |
| Total Ending Cash and Investments               |                                | 8,119,422                                      | 407,382                                    | 98,215                 | 53,996                       |

*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, 2020**

|   |                                | 105 Tourism<br>Fund | 202 LIP bonds<br>2020 | 303 Capital<br>Reserve Fund | 306 LIP-Langley<br>infrastructure<br>Project |
|---|--------------------------------|---------------------|-----------------------|-----------------------------|--|
| <b>Beginning Cash and Investments</b>               |                                |                     |                       |                             |  |
| 308   | Beginning Cash and Investments | 89,835              | -                     | 391,640                     | -  |
| 388 / 588   | Net Adjustments                | -                   | -                     | -                           | (20,675)                                     |
| <b>Revenues</b>                                     |                                |                     |                       |                             |  |
| 310   | Taxes                          | 145,297             | 189,515               | 56,648                      | -  |
| 320   | Licenses and Permits           | -                   | -                     | -                           | -  |
| 330   | Intergovernmental Revenues     | -                   | -                     | -                           | -  |
| 340   | Charges for Goods and Services | -                   | -                     | 5,705                       | -  |
| 350   | Fines and Penalties            | -                   | -                     | -                           | -  |
| 360   | Miscellaneous Revenues         | 427                 | 2,657                 | 1,763                       | -  |
| Total Revenues:                                     |                                | 145,724             | 192,172               | 64,116                      | -  |
| <b>Expenditures</b>                                 |                                |                     |                       |                             |  |
| 510   | General Government             | -                   | -                     | -                           | -  |
| 520   | Public Safety                  | -                   | -                     | -                           | -  |
| 530   | Utilities                      | -                   | -                     | -                           | -  |
| 540   | Transportation                 | -                   | -                     | -                           | -  |
| 550   | Natural/Economic Environment   | 121,108             | -                     | -                           | -  |
| 560   | Social Services                | -                   | -                     | -                           | -  |
| 570   | Culture and Recreation         | -                   | -                     | -                           | -  |
| Total Expenditures:                                 |                                | 121,108             | -                     | -                           | -  |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 24,616              | 192,172               | 64,116                      | -  |
| <b>Other Increases in Fund Resources</b>            |                                |                     |                       |                             |  |
| 391-393, 596  | Debt Proceeds                  | -                   | 3,205                 | -                           | 4,013,000                                    |
| 397   | Transfers-In                   | -                   | -                     | 22,000                      | 251,696                                      |
| 385   | Special or Extraordinary Items | -                   | -                     | -                           | -  |
| 381, 382, 389, 395, 398                             | Other Resources                | -                   | -                     | -                           | -  |
| Total Other Increases in Fund Resources:            |                                | -                   | 3,205                 | 22,000                      | 4,264,696                                    |
| <b>Other Decreases in Fund Resources</b>            |                                |                     |                       |                             |  |
| 594-595   | Capital Expenditures           | -                   | -                     | 2,694                       | 283,827                                      |
| 591-593, 599  | Debt Service                   | -                   | 160,955               | -                           | -  |
| 597   | Transfers-Out                  | -                   | -                     | 174,498                     | 251,696                                      |
| 585   | Special or Extraordinary Items | -                   | -                     | -                           | -  |
| 581, 582, 589                                       | Other Uses                     | -                   | -                     | -                           | -  |
| Total Other Decreases in Fund Resources:            |                                | -                   | 160,955               | 177,192                     | 535,523                                      |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | 24,616              | 34,422                | (91,076)                    | 3,729,173                                    |
| <b>Ending Cash and Investments</b>                  |                                |                     |                       |                             |  |
| 50821   | Nonspendable                   | -                   | -                     | -                           | -  |
| 50831   | Restricted                     | 114,449             | 34,422                | -                           | 3,708,497                                    |
| 50841   | Committed                      | -                   | -                     | -                           | -  |
| 50851   | Assigned                       | -                   | -                     | 300,563                     | -  |
| 50891   | Unassigned                     | -                   | -                     | -                           | -  |
| <b>Total Ending Cash and Investments</b>            |                                | 114,449             | 34,422                | 300,563                     | 3,708,497                                    |

*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, 2020**

|   |                                | <b>401 Water Fund</b> | <b>402 Sewer Fund</b> | <b>403 Stormwater Utility Fund</b> | <b>409 Water Quality Improvement</b> |
|---|--------------------------------|-----------------------|-----------------------|------------------------------------|--------------------------------------|
| <b>Beginning Cash and Investments</b>               |                                |                       |                       |                                    |                                      |
| 308   | Beginning Cash and Investments | 922,748               | 1,167,710             | 401,009                            | -                                    |
| 388 / 588   | Net Adjustments                | -                     | -                     | -                                  | 20,675                               |
| <b>Revenues</b>                                     |                                |                       |                       |                                    |                                      |
| 310   | Taxes                          | -                     | -                     | -                                  | -                                    |
| 320   | Licenses and Permits           | -                     | -                     | -                                  | -                                    |
| 330   | Intergovernmental Revenues     | -                     | -                     | -                                  | -                                    |
| 340   | Charges for Goods and Services | 773,187               | 639,703               | 278,390                            | -                                    |
| 350   | Fines and Penalties            | -                     | -                     | -                                  | -                                    |
| 360   | Miscellaneous Revenues         | 29,421                | 66,838                | 1,985                              | -                                    |
| Total Revenues:                                     |                                | 802,608               | 706,541               | 280,375                            | -                                    |
| <b>Expenditures</b>                                 |                                |                       |                       |                                    |                                      |
| 510   | General Government             | -                     | -                     | -                                  | -                                    |
| 520   | Public Safety                  | -                     | -                     | -                                  | -                                    |
| 530   | Utilities                      | 346,980               | 356,615               | 107,307                            | 20,676                               |
| 540   | Transportation                 | -                     | -                     | -                                  | -                                    |
| 550   | Natural/Economic Environment   | -                     | -                     | -                                  | -                                    |
| 560   | Social Services                | -                     | -                     | -                                  | -                                    |
| 570   | Culture and Recreation         | -                     | -                     | -                                  | -                                    |
| Total Expenditures:                                 |                                | 346,980               | 356,615               | 107,307                            | 20,676                               |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 455,628               | 349,926               | 173,068                            | (20,676)                             |
| <b>Other Increases in Fund Resources</b>            |                                |                       |                       |                                    |                                      |
| 391-393, 596  | Debt Proceeds                  | -                     | -                     | -                                  | -                                    |
| 397   | Transfers-In                   | 450,000               | 253,000               | 150,000                            | -                                    |
| 385   | Special or Extraordinary Items | -                     | -                     | -                                  | -                                    |
| 381, 382, 389, 395, 398                             | Other Resources                | 139                   | -                     | -                                  | -                                    |
| Total Other Increases in Fund Resources:            |                                | 450,139               | 253,000               | 150,000                            | -                                    |
| <b>Other Decreases in Fund Resources</b>            |                                |                       |                       |                                    |                                      |
| 594-595   | Capital Expenditures           | 47,396                | 8,695                 | -                                  | -                                    |
| 591-593, 599  | Debt Service                   | -                     | -                     | -                                  | -                                    |
| 597   | Transfers-Out                  | 470,000               | 264,750               | 158,250                            | -                                    |
| 585   | Special or Extraordinary Items | -                     | -                     | -                                  | -                                    |
| 581, 582, 589                                       | Other Uses                     | -                     | -                     | -                                  | -                                    |
| Total Other Decreases in Fund Resources:            |                                | 517,396               | 273,445               | 158,250                            | -                                    |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>388,371</b>        | <b>329,481</b>        | <b>164,818</b>                     | <b>(20,676)</b>                      |
| <b>Ending Cash and Investments</b>                  |                                |                       |                       |                                    |                                      |
| 50821   | Nonspendable                   | -                     | -                     | -                                  | -                                    |
| 50831   | Restricted                     | -                     | -                     | -                                  | -                                    |
| 50841   | Committed                      | -                     | -                     | -                                  | -                                    |
| 50851   | Assigned                       | 1,311,119             | 1,497,193             | 565,826                            | -                                    |
| 50891   | Unassigned                     | -                     | -                     | -                                  | -                                    |
| <b>Total Ending Cash and Investments</b>            |                                | <b>1,311,119</b>      | <b>1,497,193</b>      | <b>565,826</b>                     | <b>-</b>                             |

*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, 2020**

|   |                                | <b>501 PW Vehicle<br/>&amp; Equip<br/>Reserve</b> |
|---|--------------------------------|---|
| <b>Beginning Cash and Investments</b>               |                                |   |
| 308   | Beginning Cash and Investments | -   |
| 388 / 588   | Net Adjustments                | -   |
| <b>Revenues</b>                                     |                                |   |
| 310   | Taxes                          | -   |
| 320   | Licenses and Permits           | -   |
| 330   | Intergovernmental Revenues     | -   |
| 340   | Charges for Goods and Services | -   |
| 350   | Fines and Penalties            | -   |
| 360   | Miscellaneous Revenues         | 10  |
| Total Revenues:                                     |                                | 10  |
| <b>Expenditures</b>                                 |                                |   |
| 510   | General Government             | -   |
| 520   | Public Safety                  | -   |
| 530   | Utilities                      | -   |
| 540   | Transportation                 | -   |
| 550   | Natural/Economic Environment   | -   |
| 560   | Social Services                | -   |
| 570   | Culture and Recreation         | -   |
| Total Expenditures:                                 |                                | -   |
| Excess (Deficiency) Revenues over Expenditures:     |                                | 10  |
| <b>Other Increases in Fund Resources</b>            |                                |   |
| 391-393, 596  | Debt Proceeds                  | -   |
| 397   | Transfers-In                   | 27,750  |
| 385   | Special or Extraordinary Items | -   |
| 381, 382, 389, 395, 398                             | Other Resources                | -   |
| Total Other Increases in Fund Resources:            |                                | 27,750  |
| <b>Other Decreases in Fund Resources</b>            |                                |   |
| 594-595   | Capital Expenditures           | -   |
| 591-593, 599  | Debt Service                   | -   |
| 597   | Transfers-Out                  | -   |
| 585   | Special or Extraordinary Items | -   |
| 581, 582, 589                                       | Other Uses                     | -   |
| Total Other Decreases in Fund Resources:            |                                | -   |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                | <b>27,760</b>                                     |
| <b>Ending Cash and Investments</b>                  |                                |   |
| 50821   | Nonspendable                   | -   |
| 50831   | Restricted                     | -   |
| 50841   | Committed                      | -   |
| 50851   | Assigned                       | 27,760  |
| 50891   | Unassigned                     | -   |
| <b>Total Ending Cash and Investments</b>            |                                | <b>27,760</b>                                     |

*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, 2019**

|   |                                  | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>001 General<br/>Government<br/>Fund</b> | <b>101 Street Fund</b> | <b>104 Cemetery<br/>Fund</b> |
|---|----------------------------------|--|--|------------------------|------------------------------|
| <b>Beginning Cash and Investments</b>               |                                  |  |  |                        |                              |
| 30810   | Reserved                         | 1,925,629                                      | -  | 262,443                | 42,581                       |
| 30880   | Unreserved                       | 1,442,947                                      | 140,632                                    | -                      | -                            |
| 388 / 588   | Net Adjustments                  | (414)  | (1,991)                                    | 92                     | 90                           |
| <b>Revenues</b>                                     |                                  |  |  |                        |                              |
| 310   | Taxes                            | 1,429,351                                      | 1,197,675                                  | -                      | -                            |
| 320   | Licenses and Permits             | 90,095   | 89,405                                     | 690                    | -                            |
| 330   | Intergovernmental Revenues       | 258,938  | 110,745                                    | 148,193                | -                            |
| 340   | Charges for Goods and Services   | 1,772,907                                      | 80,203                                     | -                      | 37,590                       |
| 350   | Fines and Penalties              | 1,698  | 1,698                                      | -                      | -                            |
| 360   | Miscellaneous Revenues           | 200,223  | 50,919                                     | 6,561                  | 857                          |
| Total Revenues:                                     |                                  | 3,753,212                                      | 1,530,645                                  | 155,444                | 38,447                       |
| <b>Expenditures</b>                                 |                                  |  |  |                        |                              |
| 510   | General Government               | 729,036  | 729,036                                    | -                      | -                            |
| 520   | Public Safety                    | 378,990  | 378,990                                    | -                      | -                            |
| 530   | Utilities                        | 763,207  | -  | -                      | 12,777                       |
| 540   | Transportation                   | 105,122  | -  | 105,122                | -                            |
| 550   | Natural and Economic Environment | 444,634  | 223,594                                    | -                      | -                            |
| 560   | Social Services                  | 4,320  | 4,320                                      | -                      | -                            |
| 570   | Culture and Recreation           | 71,639   | 71,639                                     | -                      | -                            |
| Total Expenditures:                                 |                                  | 2,496,948                                      | 1,407,579                                  | 105,122                | 12,777                       |
| Excess (Deficiency) Revenues over Expenditures:     |                                  | 1,256,264                                      | 123,066                                    | 50,322                 | 25,670                       |
| <b>Other Increases in Fund Resources</b>            |                                  |  |  |                        |                              |
| 391-393, 596  | Debt Proceeds                    | -  | -  | -                      | -                            |
| 397   | Transfers-In                     | 925,715  | 204,055                                    | 50,012                 | -                            |
| 385   | Special or Extraordinary Items   | -  | -  | -                      | -                            |
| 386 / 389   | Custodial Activities             | 41   | -  | -                      | -                            |
| 381, 382, 395, 398                                  | Other Resources                  | 200  | -  | 200                    | -                            |
| Total Other Increases in Fund Resources:            |                                  | 925,956  | 204,055                                    | 50,212                 | -                            |
| <b>Other Decreases in Fund Resources</b>            |                                  |  |  |                        |                              |
| 594-595   | Capital Expenditures             | 1,126,871                                      | 30,652                                     | 238,148                | 1,800                        |
| 591-593, 599  | Debt Service                     | 33,746   | 33,746                                     | -                      | -                            |
| 597   | Transfers-Out                    | 922,387  | 63,412                                     | 30,512                 | 4,477                        |
| 585   | Special or Extraordinary Items   | -  | -  | -                      | -                            |
| 586 / 589   | Custodial Activities             | -  | -  | -                      | -                            |
| 581, 582  | Other Uses                       | -  | -  | -                      | -                            |
| Total Other Decreases in Fund Resources:            |                                  | 2,083,004                                      | 127,810                                    | 268,660                | 6,277                        |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                  | <b>99,216</b>                                  | <b>199,311</b>                             | <b>(168,126)</b>       | <b>19,393</b>                |
| <b>Ending Cash and Investments</b>                  |                                  |  |  |                        |                              |
| 5081000   | Reserved                         | 1,413,219                                      | -  | 94,410                 | 62,065                       |
| 5088000   | Unreserved                       | 2,054,155                                      | 337,957                                    | -                      | -                            |
| <b>Total Ending Cash and Investments</b>            |                                  | <b>3,467,374</b>                               | <b>337,957</b>                             | <b>94,410</b>          | <b>62,065</b>                |

*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, 2019**

|   |                                  | <b>105 Tourism<br/>Fund</b> | <b>303 Capital<br/>Reserve Fund</b> | <b>401 Water Fund</b> | <b>402 Sewer Fund</b> |
|---|----------------------------------|-----------------------------|-------------------------------------|-----------------------|-----------------------|
| <b>Beginning Cash and Investments</b>               |                                  |                             |                                     |                       |                       |
| 30810   | Reserved                         | 137,672                     | 343,732                             | 486,936               | 442,420               |
| 30880   | Unreserved                       | -                           | -                                   | 760,472               | 394,385               |
| 388 / 588   | Net Adjustments                  | 156                         | 204                                 | 520                   | 124                   |
| <b>Revenues</b>                                     |                                  |                             |                                     |                       |                       |
| 310   | Taxes                            | 172,097                     | 59,579                              | -                     | -                     |
| 320   | Licenses and Permits             | -                           | -                                   | -                     | -                     |
| 330   | Intergovernmental Revenues       | -                           | -                                   | -                     | -                     |
| 340   | Charges for Goods and Services   | -                           | 12,530                              | 708,148               | 663,790               |
| 350   | Fines and Penalties              | -                           | -                                   | -                     | -                     |
| 360   | Miscellaneous Revenues           | 1,951                       | 5,493                               | 43,668                | 83,970                |
| Total Revenues:                                     |                                  | <u>174,048</u>              | <u>77,602</u>                       | <u>751,816</u>        | <u>747,760</u>        |
| <b>Expenditures</b>                                 |                                  |                             |                                     |                       |                       |
| 510   | General Government               | -                           | -                                   | -                     | -                     |
| 520   | Public Safety                    | -                           | -                                   | -                     | -                     |
| 530   | Utilities                        | -                           | -                                   | 293,081               | 334,190               |
| 540   | Transportation                   | -                           | -                                   | -                     | -                     |
| 550   | Natural and Economic Environment | 221,040                     | -                                   | -                     | -                     |
| 560   | Social Services                  | -                           | -                                   | -                     | -                     |
| 570   | Culture and Recreation           | -                           | -                                   | -                     | -                     |
| Total Expenditures:                                 |                                  | <u>221,040</u>              | <u>-</u>                            | <u>293,081</u>        | <u>334,190</u>        |
| Excess (Deficiency) Revenues over Expenditures:     |                                  | <u>(46,992)</u>             | <u>77,602</u>                       | <u>458,735</u>        | <u>413,570</u>        |
| <b>Other Increases in Fund Resources</b>            |                                  |                             |                                     |                       |                       |
| 391-393, 596  | Debt Proceeds                    | -                           | -                                   | -                     | -                     |
| 397   | Transfers-In                     | -                           | 36,478                              | 400,000               | 103,000               |
| 385   | Special or Extraordinary Items   | -                           | -                                   | -                     | -                     |
| 386 / 389   | Custodial Activities             | -                           | -                                   | -                     | 41                    |
| 381, 382, 395,                                      | Other Resources                  | -                           | -                                   | -                     | -                     |
| 398   |                                  | -                           | -                                   | -                     | -                     |
| Total Other Increases in Fund Resources:            |                                  | <u>-</u>                    | <u>36,478</u>                       | <u>400,000</u>        | <u>103,041</u>        |
| <b>Other Decreases in Fund Resources</b>            |                                  |                             |                                     |                       |                       |
| 594-595   | Capital Expenditures             | -                           | 58,942                              | 695,415               | 49                    |
| 591-593, 599  | Debt Service                     | -                           | -                                   | -                     | -                     |
| 597   | Transfers-Out                    | 1,000                       | 7,420                               | 488,500               | 185,784               |
| 585   | Special or Extraordinary Items   | -                           | -                                   | -                     | -                     |
| 586 / 589   | Custodial Activities             | -                           | -                                   | -                     | -                     |
| 581, 582  | Other Uses                       | -                           | -                                   | -                     | -                     |
| Total Other Decreases in Fund Resources:            |                                  | <u>1,000</u>                | <u>66,362</u>                       | <u>1,183,915</u>      | <u>185,833</u>        |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                  | <b>(47,992)</b>             | <b>47,718</b>                       | <b>(325,180)</b>      | <b>330,778</b>        |
| <b>Ending Cash and Investments</b>                  |                                  |                             |                                     |                       |                       |
| 5081000   | Reserved                         | 89,835                      | 391,640                             | -                     | 572,653               |
| 5088000   | Unreserved                       | -                           | -                                   | 922,748               | 595,057               |
| <b>Total Ending Cash and Investments</b>            |                                  | <b>89,835</b>               | <b>391,640</b>                      | <b>922,748</b>        | <b>1,167,710</b>      |

*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, 2019**

|   |                                     | <b>403 Stormwater<br/>Utility Fund</b> | <b>501 PW Vehicle<br/>&amp; Equip<br/>Reserve</b> |
|---|-------------------------------------|--|---|
| <b>Beginning Cash and Investments</b>               |                                     |  |   |
| 30810   | Reserved                            | 188,611                                | 21,234  |
| 30880   | Unreserved                          | 147,458                                | -   |
| 388 / 588   | Net Adjustments                     | 391                                    | -   |
| <b>Revenues</b>                                     |                                     |  |   |
| 310   | Taxes                               | -                                      | -   |
| 320   | Licenses and Permits                | -                                      | -   |
| 330   | Intergovernmental Revenues          | -                                      | -   |
| 340   | Charges for Goods and Services      | 270,646                                | -   |
| 350   | Fines and Penalties                 | -                                      | -   |
| 360   | Miscellaneous Revenues              | 5,726                                  | 1,078   |
| Total Revenues:                                     |                                     | 276,372                                | 1,078   |
| <b>Expenditures</b>                                 |                                     |  |   |
| 510   | General Government                  | -                                      | -   |
| 520   | Public Safety                       | -                                      | -   |
| 530   | Utilities                           | 123,159                                | -   |
| 540   | Transportation                      | -                                      | -   |
| 550   | Natural and Economic<br>Environment | -                                      | -   |
| 560   | Social Services                     | -                                      | -   |
| 570   | Culture and Recreation              | -                                      | -   |
| Total Expenditures:                                 |                                     | 123,159                                | -   |
| Excess (Deficiency) Revenues over Expenditures:     |                                     | 153,213                                | 1,078   |
| <b>Other Increases in Fund Resources</b>            |                                     |  |   |
| 391-393, 596  | Debt Proceeds                       | -                                      | -   |
| 397   | Transfers-In                        | 95,000                                 | 37,170  |
| 385   | Special or Extraordinary Items      | -                                      | -   |
| 386 / 389   | Custodial Activities                | -                                      | -   |
| 381, 382, 395, 398                                  | Other Resources                     | -                                      | -   |
| Total Other Increases in Fund Resources:            |                                     | 95,000                                 | 37,170  |
| <b>Other Decreases in Fund Resources</b>            |                                     |  |   |
| 594-595   | Capital Expenditures                | 42,382                                 | 59,483  |
| 591-593, 599  | Debt Service                        | -                                      | -   |
| 597   | Transfers-Out                       | 141,282                                | -   |
| 585   | Special or Extraordinary Items      | -                                      | -   |
| 586 / 589   | Custodial Activities                | -                                      | -   |
| 581, 582  | Other Uses                          | -                                      | -   |
| Total Other Decreases in Fund Resources:            |                                     | 183,664                                | 59,483  |
| <b>Increase (Decrease) in Cash and Investments:</b> |                                     | <b>64,549</b>                          | <b>(21,235)</b>                                   |
| <b>Ending Cash and Investments</b>                  |                                     |  |   |
| 5081000   | Reserved                            | 202,616                                | -   |
| 5088000   | Unreserved                          | 198,393                                | -   |
| <b>Total Ending Cash and Investments</b>            |                                     | <b>401,009</b>                         | <b>-</b>  |

*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, 2020**

|  | <b>Custodial</b> |
|--|------------------|
| 308 Beginning Cash and Investments               | 63,703           |
| 388 & 588 Net Adjustments                        | -                |
| 310-390 Additions                                | 5,482            |
| 510-590 Deductions                               | <u>9,234</u>     |
| Net Increase (Decrease) in Cash and Investments: | (3,752)          |
| 508 Ending Cash and Investments                  | 59,951           |

*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, 2019**

|           |  | <b>Total for All<br/>Funds<br/>(Memo Only)</b> | <b>Private-Purpose<br/>Trust</b> | <b>Custodial</b> |
|-----------|--|--|----------------------------------|------------------|
| 308       | Beginning Cash and Investments                   | 64,132   | 3,332                            | 60,800           |
| 388 & 588 | Net Adjustments                                  | -  | -                                | -                |
| 310-390   | Additions  | 9,669  | -                                | 9,669            |
| 510-590   | Deductions                                       | 10,094   | 3,328                            | 6,766            |
|           | Net Increase (Decrease) in Cash and Investments: | (425)  | (3,328)                          | 2,903            |
| 508       | Ending Cash and Investments                      | 63,703   | -                                | 63,703           |

*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 local 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 (see *Notes to 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 presented using classifications that are similar to the ending balance classification 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

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

##### **General Fund**

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

##### **Special Revenue Funds**

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

**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 public and are supported primarily through user charges.

**Internal Service Funds**

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

**FIDUCIARY FUND TYPES:**

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

**Custodial Funds**

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

**B. Basis of Accounting and Measurement Focus**

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

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

**C. Cash and Investments**

See Note 4

**D. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life more than one year. Capital assets and inventory are recorded as capital expenditures when purchased.

**E. Compensated Absences**

Vacation leave may be accumulated up to 80+ days and is payable upon separation or retirement. Sick leave may be accumulated 1,000 hours. Upon separation or retirement employees receive payment for unused sick leave at 25%. Payments are recognized as expenditures when paid.

#### F. Long-Term Debt

See Note 5

#### G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by City Council. When expenditures that meet restrictions are incurred, the city intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of funds received through grants, taxes and committed through City of Langley Ordinances.

#### **Note 2 - Budget Compliance**

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

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

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

| Fund/Department     | Final Appropriated Amounts | Actual Expenditures | Variance       |
|---------------------|----------------------------|---------------------|----------------|
| General Fund:       |                            |                     |                |
| 000 Council         | \$13,611.00                | \$18,262.89         | \$(4,651.89)   |
| 050 DSR             | 0                          | \$1,437.50          | \$(1,437.50)   |
| 010 Administration  | \$82,500.00                | \$78,020.86         | \$4,479.14     |
| 020 Municipal Court | \$36,126.00                | \$30,773.92         | \$5,352.08     |
| 030 Finance         | \$297,833.00               | \$310,155.31        | \$(12,322.31)  |
| 035 COVID           | \$0                        | \$117,800.87        | \$(117,800.87) |
| 040 Legal Services  | \$39,916.00                | \$44,517.92         | \$(4,601.92)   |
| 050 General         | \$78,974.00                | \$80,421.78         | \$(1,447.78)   |
| 060 Civil Service   | \$150.00                   | \$656.10            | \$(506.10)     |
| 070 Police          | \$491,348.00               | \$393,601.45        | \$97,746.55    |
| 100 Facilities      | \$7,911.00                 | \$13,692.93         | \$(5,781.93)   |
| 105Economic         | \$16,250.00                | \$7,063.00          | \$9,187.00     |
| 110 Planner         | \$232,627.00               | \$247,629.72        | \$(15,002.72)  |
| 120 Building        | \$35,000.00                | \$26,479.94         | \$8,520.06     |

|                              |                    |                       |                       |
|------------------------------|--------------------|-----------------------|-----------------------|
| 125 Alcohol Program          | \$2,816.00         | \$517.42              | \$2,298.58            |
| 130 Homeless Coalition       | \$4,000.00         | \$0                   | \$4,000.00            |
| 135 Senior Services          | \$7,500.00         | \$3,750.00            | \$3,750.00            |
| 140 Library                  | \$4,100.00         | \$3,649.21            | \$450.79              |
| 150 Parks and Open Space     | \$52,400.00        | \$36,203.10           | \$16,196.90           |
| 170 2 <sup>nd</sup> St. bond | \$33,746.00        | \$33,746.00           | \$0                   |
| 180 IT                       | \$21,259.00        | \$29,393.02           | \$(8,134.02)          |
| 190 Transfers Out            | \$30,500.00        | \$7,625.00            | \$22,875.00           |
| <b>Total General Fund</b>    | <b>\$1,488,567</b> | <b>\$1,485,397.94</b> | <b>\$3,169.05</b>     |
|                              |                    |                       |                       |
| 101 Streets                  | \$1,713,299.00     | \$347,245.62          | \$1,366,053.38        |
| 104 Cemetery                 | \$29,478.00        | \$25,468.32           | \$4,009.68            |
| 105 Tourism                  | \$225,752          | \$121,109.47          | \$104,642.53          |
| 202 LIP Bond                 | 0                  | \$160,955.24          | \$(160,955.24)        |
| 303 Capital Reserve          | \$91,303.00        | \$177,191.78          | \$(85,888.78)         |
| 306 LIP Project              | \$0                | \$556,198.76          | \$(556,198.76)        |
| 401 Water                    | \$907,838.00       | \$820,494.29          | \$87,343.71           |
| 402 Sewer                    | \$667,745.00       | \$621,363.52          | \$46,381.48           |
| 403 Stormwater               | \$280,224.00       | \$265,557.53          | \$14,666.47           |
| 405 Water Reserve            | \$200,000.00       | \$43,880.97           | \$156,119.03          |
| 407 Stormwater Reserve       | \$30,000.00        | \$0                   | \$30,000.00           |
| 408 Sewer Expansion          | \$375,000.00       | \$8,695.21            | \$366,304.79          |
| 409 Water Quality Project    | \$0                | \$20,675.37           | \$(20,675.37)         |
| 501PVehicle Replacement      | \$0                | \$0                   | \$0                   |
| 625 Memorial                 | \$0                | \$0                   | \$0                   |
| <b>Total All Funds</b>       | <b>\$6,009,206</b> | <b>\$4,654,234.01</b> | <b>\$1,354,971.97</b> |
|                              |                    |                       |                       |
|                              |                    |                       |                       |

Budgeted amounts are authorized to be transferred between 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.

### Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The City of Langley, as all entities is dealing with the effects of the Corona virus known as COVID-19. The City provides essential services and employees are continuing to work both on sit and remotely. The City's administrative offices closed to the public, but phone lines were still answered. The City participated in the State of Washington Employment Security Shared Work program. As of July,2021 the

City administrative office opened (doors remain locked to avoid more than one customer at a time in office). All expenditures were and still are to be approved by the Mayor.

The City of Langley incurred unbudgeted cost of purchasing laptops and setting them up so that employees were able to work from home. The City also hired a cleaning service to come in weekly to sanitize the office for the safety of those still working in office.

The City of Langley early on issued a Proclamation that masks were to be worn within the City limits. All businesses have been following the State regulations. There have been no special events within the City which has hurt the City Tourism dollars. The City received Grant Funds from the County and turned around and offered \$2,000.00 grants to local businesses.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City is unknown at this time.

#### **Note 4 – Deposits and Investments held by the City**

Investments are reported at fair value. Deposits and investments by type at December 31, 2020 are as follows:

| Type of deposit or investment    | City <b>owned</b> deposits and investments | Deposits and investments held by the City as custodian for other local governments, individuals, or private organizations | Total              |
|----------------------------------|--|---|--------------------|
| Whidbey Bank                     | \$ 983,529                                 | \$59,951  | \$1,043,480        |
| Municipal Investments            | \$ 788,405                                 |   | \$788,405          |
| Local Government Investment Pool | \$2,831,211                                |   | \$2,831,211        |
| Money Market (LIP)               | \$3,699,168                                |   | \$3,699,168        |
| <b>Total</b>                     | <b>\$8,302,313</b>                         | <b>\$59,951</b>   | <b>\$8,362,264</b> |

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

#### Investments in the State Local Government Investment Pool (LGIP)

The City of Langley is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter

43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City of Langley would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

#### **Note 5 – Long-Term Debt (formerly Debt Service Requirements)**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the City of Langley and summarizes the City of Langley's debt transactions for year ended December 31, 2020.

The debt service requirements for general obligation bonds, revenue bonds are as follows:

| Year         | Principal          | Interest           | Total              |
|--------------|--------------------|--------------------|--------------------|
| 2020         | \$162,106          | \$32,596           | \$194,701          |
| 2021         | \$67,793           | \$106,890          | \$174,684          |
| 2022         | \$73,498           | \$104,986          | \$178,484          |
| 2023         | \$79,220           | \$102,913          | \$182,133          |
| 2024         | \$84,589           | \$101,045          | \$185,634          |
| 2025 - 2030  | \$562,661          | \$553,364          | \$1,116,026        |
| 2031 - 2049  | \$3,035,000.00     | \$949,188          | \$3,984,188        |
| <b>Total</b> | <b>\$4,064,867</b> | <b>\$1,950,982</b> | <b>\$6,015,850</b> |

#### **Note 6 – OPEB Plans**

1. The City of Langley is a participating employer in the State's Public Employees Benefit Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPE benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The City of Langley had 17 active plan members and 1 retired plan member as of December 31, 2020. As of December 31, 2020 The City of Langley' total OPEB liability was \$1,025,382.00 as calculated using the Office of the State Actuary PEBB online tool. The City of Langley contributes \$248,901.00 to the plan for the year ended December 31, 2020.

## **Note 7 – Pension Plans**

### A. State Sponsored Pension Plans

Substantially all City of Langley'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 PERS2/3 and LEOFF2.

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

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

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

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

At June 30, 2019 to June 30, 2020 (the measurement date of the plans), the City of Langley's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

| Plan     | Employer Contributions | Allocation % | Liability (Asset) |
|----------|------------------------|--------------|-------------------|
| PERS 1   | \$35,624               | .004915%     | \$173,526         |
| PERS 2/3 | \$58,673               | .006369%     | \$81,456          |
| LEOFF 2  | \$11,944.85            | ..006106%    | \$124,553         |

#### 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.

#### **Note 8 - 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 regular levy for the year 2020 was \$1.4058 per \$1,000 on an assessed valuation of \$313,358,365 for a total regular levy of \$440,541. The City of Langley also had a Bond levy for 2020 that was \$.5573 per \$1,000 on as assessed valuation of \$308,608,659 for a total Bond levy of \$171,995

#### **Note 9 – 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, 2020, 100 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, with the exception of pollution liability, 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, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports 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 in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Great American for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy 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. Since AWC RMSA is a cooperative program there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2020 AWC RMSA carried a retention of \$200,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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.

## **Note 10 – Sale of Bonds**

On November 5, 2019 the voters of the City of Langley passed a \$4 million-dollar bond measure to fund a large water quality infrastructure improvement plan. The City of Langley has also been awarded a \$3 million-dollar grant from Island County Rural Economic Development funds in addition to the Bond funds. The bonds were sold September 2020. The sale was as follows:

Sources:

|                            |                       |
|----------------------------|-----------------------|
| Par Amount                 | \$3,795,000.00        |
| Premium                    | \$ 295,751.45         |
| Less Underwriter Discount: | <u>\$ (37,950.00)</u> |
| <b>TOTAL SOURCES</b>       | <b>\$4,052,801.45</b> |

Uses:

To City of Langley

Cost of Issuance: \$ 13,000.00

MCAG No. 0359

City of Langley

2020

|                      |                       |
|----------------------|-----------------------|
| Bond Fund:           | \$ 3,204.57           |
| Project Fund Deposit | <u>\$4,000,000.00</u> |
| TOTAL TO CITY        | \$4,016,204.57        |

**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.

**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.

**Internal Service Funds**

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

**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.

**Custodial Funds**

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

**B. Basis of Accounting and Measurement Focus**

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

In accordance with state law the city also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

**C. Budgets**

The City 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         | \$1,864,043                | \$1,535,389         | \$328,654   |
| 101 Street Fund          | \$2,366,954                | \$373,781           | \$1,993,173 |
| 104 Cemetery Fund        | \$60,219                   | \$19,054            | \$41,165    |
| 105 Tourism Fund         | \$293,060                  | \$222,040           | \$71,020    |
| 303 Capital Reserve Fund | \$377,971                  | \$66,378            | \$311,593   |
| 401 Water Fund           | \$1,956,635                | \$1,476,995         | \$479,640   |
| 402 Sewer Fund           | \$1,445,509                | \$520,022           | \$925,487   |
| 403 Storm Water Fund     | \$684,509                  | \$306,823           | \$377,686   |
| 501 PW Vehicle & Equip   | \$59,232                   | \$59,483            | (\$251)     |
| 625 Scott Memorial Fund  | \$3,331                    | \$3328              | \$3         |
| Total                    | \$9,111,463                | \$4,583,293         | \$4,528,170 |

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 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 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, 2019, 100 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, with the exception of pollution liability, 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, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime), pollution liability, and cyber liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports 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 in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Great American for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy 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. Since AWC RMSA is a cooperative program there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2019 AWC RMSA carried a retention of \$200,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

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

Investments are reported at Fair Value. Deposits and investments by type as of December 31, 2019 are as follows:

| Type of deposit or investment    | City of Langley <b>owned</b> deposits and investments | Deposits and Investments held by the City of Langley | Total                 |
|----------------------------------|---|--|-----------------------|
| Whidbey Bank                     | \$ 400,768.41   | 63,702.60  | \$464,471.01          |
| Municipal Investments            | \$ 786,987.62   |  | \$786,987.62          |
| Local Government Investment Pool | \$2,365,867.41  |  | \$2,365,867.41        |
| US Bank                          | \$300,000.00  |  | \$300,000.00          |
| <b>Total</b>                     | <b>\$3,853,623.44</b>                                 | <b>\$63,702.60</b>                                   | <b>\$3,917,326.04</b> |

Investments in State Local Government Investment Pool (LGIP)

The City of Langley is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and is not registered with the SEC. Rather, oversight is provided by the State Oversight Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at original costs, which is the same as the value as the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the Report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

Custodial Credit Risk

Custodial Credit Risks for deposits is the risk that, in event of a failure of a depository financial institution, the City of Langley would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The City of Langley's deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administrated by the Washington Public Depository Protection Commission (PDPC).

All investments are insured, registered or held by the City of Langley or its agent in the government name.

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 2019 was \$1.496 per \$1,000 on an assessed valuation of \$289,583,654 for a total regular levy of \$433,350.

Note 4 – 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 2018 through 2028.

The debt service requirements for LTGO Bond both principle and interest, are as follows:

|           | Principal | Interest | Total     |
|-----------|-----------|----------|-----------|
| 2019      | \$26,435  | \$7,311  | \$33,746  |
| 2020      | \$27,106  | \$6,640  | \$33,746  |
| 2021      | \$27,793  | \$5,953  | \$33,746  |
| 2022      | \$28,498  | \$5,248  | \$33,746  |
| 2023      | \$29,221  | \$4,525  | \$33,746  |
| 2024-2028 | \$157,622 | \$11,128 | \$168,750 |
| Totals    | \$296,675 | \$40,805 | \$337,480 |

Other Disclosures

Note 5 – OPEB Plans

The City of Langley is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPE benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The City of Langley had 18 active plan members and 1 retired plan members as of December 31, 2019. As of December 31, 2019 the City of Langley's total OPEB liability was \$779,356 as calculated using the alternative measurement method. The City of Langley contributed \$157,853 to the plan for the year ended December 31, 2019.

During the year ended December 31, 2019, the City of Langley adopted guidance for the presentation and disclosure of post-employment benefits other than pensions, as required by the BARS manual. This requirement resulted in the addition of post-employment benefits liability reported on the Schedule of Liabilities.

Note 6 - Pension Plans

## A. State Sponsored Pension Plans

Substantially all Langley'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.

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

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

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

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

At June 30, 2019 (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:

|              | Employer Contributions | Allocation % | Liability (Asset) |
|--------------|------------------------|--------------|-------------------|
| PERS 1       | 35,191                 | 0.004908%    | 188,730           |
| PERS 2 and 3 | 51,778                 | 0.006340%    | 61,583            |
| LEOFF 2      | 12,500                 | 0.00678%     | (157,072)         |

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.

Note 7 – New Bond Passage

On November 5, 2019 the voters of the City of Langley passed a \$4 million-dollar bond measure to fund a large water quality infrastructure improvement plan. The City of Langley has also been awarded a \$3 million dollar grant from Island County Rural Economic Development funds addition to fund these improvements. The bond sale to fund the improvements will take place in 2020 and debt service will be financed by property taxes approved by the voters.

Note 8 – COVID-19

The City of Langley, as all entities is dealing with the effects of the Corona virus known as COVID-19 and the resultant lockdown or “Stay at Home” order. The City provides essential services and employees are continuing to work both on site and remotely. The City’s administrative offices are closed to the public, but phone lines are still being answered. All non-essential functions have ceased temporarily. We are estimating a 30% or more reduction in General fund revenues and a smaller decrease in utility revenues. The City is participating in the State of Washington Employment Security Shared Work program. Six administrative/financial employees have been furloughed by 10-50% of their regular hours to contain expenses. Department heads have been informed that they are to curtail any non-essential expenses. Finances will be closely monitored and the budget for 2020 amended as needed.

**City of Langley**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2020**

| <b>ID. No.</b>                                       | <b>Description</b>  | <b>Due Date</b> | <b>Beginning Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending Balance</b> |
|--|---|-----------------|--------------------------|------------------|-------------------|-----------------------|
| <b>General Obligation Debt/Liabilities</b>           |   |                 |                          |                  |                   |                       |
| 251.11   | GO Bond 2015  | 1/1/2028        | 270,240                  | -                | 27,106            | 243,134               |
| 251.12   | Go Bond 2020  | 12/1/2049       | -                        | 3,795,000        | 135,000           | 3,660,000             |
|  | <b>Total General Obligation Debt/Liabilities:</b>           |                 | <b>270,240</b>           | <b>3,795,000</b> | <b>162,106</b>    | <b>3,903,134</b>      |
| <b>Revenue and Other (non G.O.) Debt/Liabilities</b> |   |                 |                          |                  |                   |                       |
| 259.12   | Compensated Absences  |                 | 108,520                  | 127,861          | 114,862           | 121,519               |
| 264.30   | Net Pension Liabilities                                     |                 | 250,313                  | 4,669            | -                 | 254,982               |
| 264.40   | PPEBB   |                 | 779,356                  | 246,026          | -                 | 1,025,382             |
|  | <b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b> |                 | <b>1,138,189</b>         | <b>378,556</b>   | <b>114,862</b>    | <b>1,401,883</b>      |
|  | <b>Total Liabilities:</b>                                   |                 | <b>1,408,429</b>         | <b>4,173,556</b> | <b>276,968</b>    | <b>5,305,017</b>      |

**City of Langley**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2019**

| <b>ID. No.</b>                                       | <b>Description</b>  | <b>Due Date</b> | <b>Beginning Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending Balance</b> |
|--|---|-----------------|--------------------------|------------------|-------------------|-----------------------|
| <b>General Obligation Debt/Liabilities</b>           |   |                 |                          |                  |                   |                       |
| 251.11   | Go Bond 2015  | 1/1/2028        | 296,675                  | -                | 26,458            | 270,217               |
|  | <b>Total General Obligation Debt/Liabilities:</b>           |                 | <b>296,675</b>           | <b>-</b>         | <b>26,458</b>     | <b>270,217</b>        |
| <b>Revenue and Other (non G.O.) Debt/Liabilities</b> |   |                 |                          |                  |                   |                       |
| 259.12   | Compensated Absences  |                 | 91,032                   | 17,488           | -                 | 108,520               |
| 264.30   | Net Pension Liabilities                                     |                 | 304,750                  | -                | 54,437            | 250,313               |
| 264.40   | PPEBB   |                 | -                        | 779,356          | -                 | 779,356               |
|  | <b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b> |                 | <b>395,782</b>           | <b>796,844</b>   | <b>54,437</b>     | <b>1,138,189</b>      |
|  | <b>Total Liabilities:</b>                                   |                 | <b>692,457</b>           | <b>796,844</b>   | <b>80,895</b>     | <b>1,408,406</b>      |

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)