



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Colville

Stevens County

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

Published September 21, 2015

Report No. 1015027





Washington State Auditor's Office

September 21, 2015

Mayor and City Council
City of Colville
Colville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Colville's financial statements and compliance with federal laws and regulations.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

**City of Colville
Stevens County
January 1, 2014 through December 31, 2014**

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

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

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

<u>CFDA No.</u>	<u>Program Title</u>
14.228	CDBG - State-Administered CDBG Cluster - Community Development Block Grants/State's Program

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

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

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

**City of Colville
Stevens County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Colville
Colville, 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 Colville, Stevens County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 25, 2015.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 25, 2015

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

**City of Colville
Stevens County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Colville
Colville, Washington

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

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 25, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Colville Stevens County

January 1, 2014 through December 31, 2014

Mayor and City Council
City of Colville
Colville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Colville, Stevens County, Washington, for the year ended December 31, 2014, 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 Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Colville has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Colville, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

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

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Colville, as of December 31, 2014, or the

changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2015 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive, flowing style.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

August 25, 2015

FINANCIAL SECTION

**City of Colville
Stevens County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

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

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

		Total for All Funds (Memo Only)	001 CURRENT EXPENSE FUND	102 LIBRARY FUND
Beginning Cash and Investments				
30810	Reserved	4,067,285	27,732	14,976
30880	Unreserved	5,148,811	1,401,298	-
388 & 588	Prior Period Adjustments, Net	-	444	(444)
Operating Revenues				
310	Taxes	3,846,748	3,757,407	-
320	Licenses and Permits	52,585	52,585	-
330	Intergovernmental Revenues	1,192,796	1,192,796	-
340	Charges for Goods and Services	4,288,034	341,227	4,869
350	Fines and Penalties	45,513	18,469	1,973
360	Miscellaneous Revenues	272,010	26,680	3,158
Total Operating Revenues:		<u>9,697,686</u>	<u>5,389,164</u>	<u>10,000</u>
Operating Expenditures				
510	General Government	746,664	712,137	-
520	Public Safety	1,239,711	1,239,711	-
530	Utilities	2,097,676	-	-
540	Transportation	1,117,568	1,103,383	-
550	Natural and Economic Environment	308,775	272,693	-
560	Social Services	24,251	24,251	-
570	Culture and Recreation	615,088	413,638	162,442
Total Operating Expenditures:		<u>6,149,733</u>	<u>3,765,813</u>	<u>162,442</u>
Net Operating Increase (Decrease):		3,547,953	1,623,351	(152,442)
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	56,861	51,663	679
391-393	Debt Proceeds	7,000	-	-
397	Transfers-In	159,629	-	157,154
Total Nonoperating Revenues:		<u>223,490</u>	<u>51,663</u>	<u>157,833</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	35,130	34,450	680
591-593	Debt Service	1,334,459	48,586	-
594-595	Capital Expenditures	1,398,860	1,111,998	-
597	Transfers-Out	159,629	159,629	-
Total Nonoperating Expenditures:		<u>2,928,078</u>	<u>1,354,663</u>	<u>680</u>
Net Increase (Decrease) in Cash and Investments:		843,365	320,351	4,711
Ending Cash and Investments				
50810	Reserved	4,285,949	30,988	19,243
50880	Unreserved	5,773,511	1,718,837	-

The accompanying notes are an integral part of this statement.

108 PARKING & BUSINESS IMPROVEMENT	112 HOTEL- MOTEL EXCISE FUND	140 DRUG INVESTIGATION FUND	203 LID 99-1 DEBT FUND SERVICE	401 WATER/SEWER FUND	506 FUTA FUND
67,100	150,748	41,255	-	806,641	-
-	-	-	25,021	3,614,224	94,930
-	-	-	-	-	-
-	89,341	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,917,732	23,421
933	-	1,303	327	22,509	-
26,457	167	42	9,970	88,748	-
<u>27,390</u>	<u>89,508</u>	<u>1,344</u>	<u>10,296</u>	<u>4,028,988</u>	<u>23,421</u>
-	-	-	-	-	34,527
-	-	-	-	-	-
-	-	-	-	2,097,676	-
14,185	-	-	-	-	-
-	36,082	-	-	-	-
-	-	-	-	-	-
-	37,758	-	-	-	-
<u>14,185</u>	<u>73,841</u>	<u>-</u>	<u>-</u>	<u>2,097,676</u>	<u>34,527</u>
13,205	15,668	1,344	10,296	1,931,312	(11,106)
-	-	-	-	4,469	-
-	-	-	-	7,000	-
370	-	-	-	2,105	-
<u>370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,574</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	1,285,873	-
-	-	-	-	286,862	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,572,735</u>	<u>-</u>
13,575	15,668	1,344	10,296	372,151	(11,106)
80,675	166,415	42,600	-	897,190	-
-	-	-	35,318	3,895,826	83,824

The accompanying notes are an integral part of this statement.

701 DEAN VAAGEN MEMORIAL PARK FUND	702 SPENCER MEMORIAL PARK/REC FUND	703 VINSON FUND
100,000	358,832	2,500,000
2,043	9,959	1,336
-	-	-
-	-	-
-	-	-
785	-	-
-	-	-
102	178	116,509
<u>887</u>	<u>178</u>	<u>116,509</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,011	34	204
<u>1,011</u>	<u>34</u>	<u>204</u>
(124)	144	116,305
51	-	-
-	-	-
-	-	-
<u>51</u>	<u>-</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
(73)	144	116,305
100,000	358,839	2,590,000
1,969	10,096	27,641

The accompanying notes are an integral part of this statement.

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

	Total for All Funds (Memo Only)	623 LID GUARANTY	624 DONATION FUND
308 Beginning Cash and Investments	31,002	1,999	29,003
388 & 588 Prior Period Adjustments, Net	-	-	-
310-360 Revenues	2,417	2	2,415
380-390 Other Increases and Financing Sources	-	-	-
510-570 Expenditures	2,022	-	2,022
580-590 Other Decreases and Financing Uses	-	-	-
Net Increase (Decrease) in Cash and Investments:	395	2	393
508 Ending Cash and Investments	31,398	2,001	29,397

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colville was incorporated on June 7, 1890 and operates under the laws of the state of Washington applicable to an elected Mayor/Council form of government. The city is a general purpose government and provides police, fire, airport, water supply treatment distribution, sewage collection treatment, street maintenance, planning and zoning, library, parks and recreation, and general administrative services. The city uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the City of Colville. 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 Colville.

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.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

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 City of Colville on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City of Colville 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.

B. Basis of Accounting

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

In accordance with state law, the City of Colville 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 Colville 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 follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
#001-Current Expense	\$4,190,917	\$ 3,919,882	\$ 271,035
#101-Street Fund	\$1,772,003	\$ 1,372,435	\$ 399,568
#102-Library Fund	\$ 175,290	\$ 163,122	\$ 12,168
#108-Parking/Business	\$ 16,100	\$ 14,185	\$ 1,915
#112-Hotel/Motel	\$ 97,048	\$ 73,841	\$ 23,207
#140-Drug Invest Fund	\$ 0	\$ 0	\$ 0
#201-GO Debt Fund	\$ 48,600	\$ 48,586	\$ 14
#203-LID #99-1 Fund	\$ 0	\$ 0	\$ 0
#401-Water/Sewer Fund	\$3,791,078	\$3,664,960	\$ 126,118
#403-Storm Water Utility	\$ 0	\$ 5,451	(\$ 5,451) *
#405-USDA Reserve Fund	\$ 0	\$ 0	\$ 0
#506-FUTA Fund	\$ 25,000	\$ 34,527	(\$ 9,527) *
#623-LID Guaranty Fund	\$ 0	\$ 0	\$ 0
#624-Donation Fund	\$ 13,757	\$ 2,022	\$ 11,735
#701-Dean Vaagen Fund	\$ 1,554	\$ 1,011	\$ 543
#702-Spencer Fund	\$ 0	\$ 34	(\$ 34) *
#703-Vinson Fund	\$ 0	\$ 204	(\$ 204) *

Budgeted amounts are authorized to be transferred between departments within any fund and object classes within departments by the City Clerk and the City Treasurer; 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's legislative body. *See Note 6.

D. Cash and Investments

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

The City of Colville deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the City of Colville or its agent in the city's name.

See Note No. 2 for 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. The capital assets and inventory of the City of Colville are recorded as expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement. Sick leave may be accumulated up to 800 hours annually. Upon separation or retirement, employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt See Note 4 – Debt Reserve Requirements.

H. Other Financing Sources or Uses

The City of Colville's Other Financing Sources or Uses consist of debt service.

I. Risk Management

The City of Colville is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program was formed on September 1, 1988, when 34 cities 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 1, 2014, there are 223 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive, and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield that is subject to a per-occurrence self-insured retention of \$100,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy, with an attachment point of \$3,259,396, to cap the total claims paid by the program in any one policy term.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member with the exception of Pumps & Motors which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. On July 21, 2014, the Board passed a resolution changing the CIAW's renewal date from September 1, to December 1st beginning with the 2014-2015 policy term. An endorsement was added to the 2013-14

Memorandum of Coverage, extending coverage to December 1, 2014. The next full policy year will begin on December 1, 2014. Premiums were prorated for the extension period. Invoices and certificates were issued.

The program has no employees. Claims are filed by members/brokers with Canfield, who has been contracted to perform program administration, claims adjustment, administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2014, were \$1,817,654.59.

The city has had two claims in the past five years. One was a Property claim and the other a General Liability Bodily Injury Sexual claim. The City expects the number of claims to remain the same.

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 Colville intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- 001 - \$173 - **Current Expense** - Police Conf/Forfeiture –This was a cash confiscation/forfeiture and the funding is restricted.
- 001 - \$30,814 - **Current Expense** - Police Criminal Justice funds from the state. Use is restricted by the state and can only be spent on specific items.
- 102 - \$19,243 - **Library** – funds can only be spent in the Library Fund per Ordinance #817/#1547.
- 108 - \$80,675 - **Parking/Business** - These funds can only be spent in the Parking/Business Fund per Ordinance #850.
- 112 - \$166,415 - **Hotel/Motel** – restricted per legislation definition. These funds can only be spent on Hotel/Motel.
- 140 - \$42,600 - **Drug Investigation** – These are restricted per state and federal requirements.
- 401 - \$806,641 - **Water/Sewer** - Debt reserves restricted by Bond/Loan requirements.
- 403 - \$90,549 - **Storm Water Utility Fund** – These funds are restricted to this fund only per Ordinance #1505 & #1515.
- 624 - \$10,030 - **Donation Fund** - These funds only are restricted by a will.
- 701 - \$100,000 - **Dean Vaagen Memorial** – These funds are restricted per will stating principal amount cannot be spent only invested. Ord. 915 & Ord. 1126.
- 702 - \$358,839 - **Spencer Memorial Fund** – These funds are restricted per will and Ordinance #995 stating principal amount cannot be spent only invested.
- 703 - \$2,590,000 - **Vinson Fund** – These funds are restricted by a will stating principal amount cannot be spent only invested.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City of Colville or its agent in the government's name.

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

<u>Type of Investment</u>	City of Colville's own investments	Investments held by the city as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ <u>7,276,959.64</u>	\$ _____	\$ <u>7,276,959.64</u>
U.S. Government Securities	\$ <u>2,795,968.62</u> **	\$ _____	\$ <u>2,795,968.62</u>
Total	\$ <u>10,072,928.26</u>	\$ _____	\$ <u>10,072,928.26</u>

**See note in Other Disclosures for the U.S. Government Securities balance for year ending 2014.

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 Colville. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2014 was \$2.804544 per \$1,000 on an assessed valuation of \$364,004,503 for a total regular levy of \$1,020,866.81.

NOTE 4 – DEBT SERVICE REQUIREMENTS

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

The debt service requirements for general obligation bonds, revenue bonds and other debt, including both principal and interest, are as follows:

Year	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2015	58,790	899,242	391,918	1,349,951
2016	22,490	894,691	338,703	1,255,883
2017	22,490	898,651	83,307	1,004,448
2018	22,490	560,374	82,777	665,641
2019	22,490	559,273	82,246	664,009
2020-2024	112,448	2,779,837	403,276	3,295,561
2025-2029	67,469	2,177,934	162,056	2,407,460
2030-2034		749,000	154,554	903,554
2035-2039		749,000	-	749,000
2040-2044		698,546	-	698,546
2045-2049		298,038	-	298,038
Totals	\$328,666	\$11,264,586	1,698,836	\$13,292,089

NOTE 5 - PENSION PLANS

Substantially all City of Colville full-time and qualifying part-time employees participate in one of the following: PERS Plan 1, PERS Plan 2, PERS Plan 3, LEOFF Plan 1 or LEOFF Plan 2, which are administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the city's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

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

NOTE 6 - OTHER DISCLOSURES

- A correction to the Current Expense and Library fund balances in the amount of \$444.00 was made on this report. This transaction took place in 2013 but did not reflect in the cash. Posted to the 388.80 for the 2014 year corrected the transaction. For the 2014 year I have a transfer posting that was done the same as above in the amount of \$1,605.84 which will be corrected in the 2015 year with a prior period adjustment between Current Expense and the Library funds. This amount shows on the Schedule 11.
- Petty Cash - the reported 2014 beginning net cash and investments as well as the ending cash and investment totals for 2014 on Schedule 1 for Current Expense #001, Library #102 and Water/Sewer #401 reflect a petty cash amount for each of the funds. The petty cash amounts are as follows: #001 Current Expense Fund - \$350.00, #102 Library Fund - \$50.00, #401 Water/Sewer Fund - \$400.00
- For purposes of the 2014 annual report, the Street Fund #101 and Debt Service Fund #201 have been rolled into the Current Expense Fund #001. The Storm Water Utility Fund #403 and the USDA/Reserve Fund #405 have been rolled into the Water/Sewer Fund #401.
- Note 2 – Deposits & Investments: I have listed the total amount paid to US Bank for the investments purchased in 2014. The US Bank statement for 12/31/14 shows a balance of \$2,785,795.90 which is the amount of the bonds less the earned interest which is \$10,172.72. The total paid to US Bank was \$2,795,968.62 for the 2014 year.
- Note 1.c. – Fund #403 Storm Water Utility ended 2014 with a (5,451) balance due to the utility taxes that were transferred to Fund #101 Street Fund by ordinance; Fund #506 FUTA ended 2014 with a (9,527) balance due to more unemployment benefits paid; Fund #703 Vinson ended 2014 with a (204) balance due to the 3rd party monthly fees not calculated for the year.
- On Schedule 9 –Mercedes-Benz Financial Services #41784 – This debt payment was not stated correctly on the past Schedule 9 sheets. I did not have possession of all of the documents for this loan and upon completing the Schedule 9 for the 2014 year realized the beginning amount had been stated incorrectly. The amount on the Schedule 9 for the 2014 year brings this loan current.
- The city obtained a Public Works DWSRF Loan for a project labeled Garden Homes LID. This project replaced approximately 6,000 linear feet of existing water mains, replaced 47 service meters, 17 gate valves, and 10 fire hydrants. This is a system the city currently reads water meters for and this system is

also outside of the city limits but in the Urban Growth area for the City of Colville. This project was completed in 2013. An LID was created for this project and the first invoice will be mailed in May 2015. The total loan amount received was approximately \$602,053.00. The city received \$15,705 in payments during the 30-day period of the LID.

- Vinson Fund – The city received \$2,500,000.00 from the Robert C. Vinson estate in July 2013. Per the language of the estate, the purpose of the fund shall be to enhance the cultural enrichment of the citizens of Colville and the Colville region. In 2014, the city received an additional \$90,000, which will remain along with the \$2,500,000.00 in a restricted line to be invested but not spent. The city has formed a Vinson Fund Committee and this committee will receive applications and allocate investment interest received per the committee language.
- Cost Allocation – For the year 2014, the following process was followed for the Treasurer’s Department Cost Allocation:

Actual invoice costs and salaries for 2014 were trued up in 2015 for the actual amount spent from the Water/Sewer, Parking, Airport and Current Expense Funds. The salaries for the three staff will reflect percentages of time worked whereas the other categories are actual expenditures per department spent. Adjustments to the plan will be made as needed on a quarterly basis.

- In 1999 the City of Colville entered into an agreement with CERB (Community Economic Revitalization Board) and Vaagen’s to complete a water project along Highway 395 at the cost of \$167,649.00. These funds are paid directly to the Dept of Community Trade & Economic Dept in the sum of \$11,176 from an account at US Bank that the Vaagen’s have funds in for the entire amount of this project which is for a period of 20 years at a 0% rate.
- The City of Colville entered into an agreement with CERB (Community Economic Revitalization Board), David Hewes and Stephen Bowman to complete a water and sewer project along Highway 395 at the combined and total cost of \$381,000.00. These funds will be paid to the City by D. Hewes and S. Bowman for a period of 20 years at a 1.0% rate. These payments started in 1/2011. In 2014, David Hewes paid off their portion of the CERB loan in the amount of \$41,506.15.
- **Contingencies and Litigation** – Currently there are no pending lawsuits involving the city.
- **Subsequent Events** – On June 14, 2015, the City Street Shop burned to the ground. There was approximately \$2,000,000.00 in damages, which includes the building, contents and equipment. This event has been submitted to the City’s insurance provider.
- **OPEB** – The city of Colville has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical and dental. Two retirees received benefits during the year and \$18,599.82 was paid out for those benefits during the year.
- **Construction Commitment** – The City of Colville has active construction projects as of December 31, 2014. The projects include:

At year-end the city’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Senior Center	\$699,999.99	-0-
Hawthorne Overlay	\$215,254.21	-0-

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
263.81	8/13/04-PWTF #4(PW-04-691-PRE-121)	6/1/2024	506,578	-	46,053	460,525
259.11	Compensated Absences-Current Expense		115,485	84,219	99,422	100,282
259.11	Compensated Absences-Street		25,724	28,897	30,677	23,944
259.11	Compensated Absences - Library		5,252	4,472	4,471	5,253
263.51	12/20/2011-Mercedes-Benz Lease #41784	12/20/2015	69,240	-	34,072	35,168
Total General Obligations:			722,279	117,588	214,695	625,172
Revenue Obligations						
252.11	4/6/10-(W/S 1997-Refunded)Series 2010	12/1/2017	1,055,000	-	250,000	805,000
252.11	6/27/03-Sewer 2003 Revenue Bonds	6/27/2043	821,633	-	13,481	808,152
252.11	1/23/07-Sewer 2007A Revenue Bonds	2/6/2047	1,014,055	-	14,174	999,881
252.11	01/23/07 - Sewer 2007B Revenue Bonds	2/6/2047	784,784	-	10,970	773,814
263.82	6/1/96 - PWTF #1 (PW5-96-791-010)Sewer	6/1/2016	757,025	-	252,342	504,683
263.82	6/1/1996 PWTF #2 (PW5-96-791-011)Water	6/1/2016	130,968	-	43,656	87,312
263.82	9/6/1996-Basin C/Storm Water #9700018	12/31/2017	34,390	-	8,057	26,333
263.82	12/1/1995-Headworks/Clean Water #L9600007	9/1/2017	131,507	-	30,576	100,931
263.82	11/01/2007-SRF/MWTF-#L0500001	11/1/2027	4,020,514	-	287,179	3,733,335

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
263.82	3/3/2009-#DM09-952-035 Water/Upper Zone	10/1/2029	1,762,783	-	110,174	1,652,609
259.12	Compensated Absences-Water/Sewer		41,688	39,269	36,501	44,456
263.82	CERB Loan Project #2005-171 Bowman	1/1/2027	292,449	-	19,565	272,884
263.82	CERB Loan Project #2005-171 Hewes	1/1/2027	44,177	-	44,177	-
Total Revenue Obligations:			10,890,973	39,269	1,120,852	9,809,390
Assessment Obligations						
253.11	10/22/2012-#DM12-952-118/Garden Homes LID	10/1/2038	602,053	7,000	15,705	593,348
Total Assessment Obligations:			602,053	7,000	15,705	593,348
Total Liabilities:			12,215,305	163,857	1,351,252	11,027,910

The notes to the financial statements are an integral part of this schedule.

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

	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass-Through Awards	From Direct Awards	Total	
110							
CDBG - State-Administered CDBG Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Dept of Commerce)	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13-65400-018	700,000	-	700,000	Note 1
	Total CDBG - State-Administered CDBG Cluster:			700,000	-	700,000	
Drinking Water State Revolving Fund Cluster							
Office Of Water, Environmental Protection Agency (via Washington State Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM12-952-118	7,000	-	7,000	Note 1, 3
	Total Drinking Water State Revolving Fund Cluster:			7,000	-	7,000	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPR-G334(001)	85,834	-	85,834	Note 1, 2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPR-G334(002)	186,195	-	186,195	Note 1, 2
	Total Highway Planning and Construction Cluster:			272,029	-	272,029	
	Total Federal Awards Expended:			979,029	-	979,029	

The accompanying notes are an integral part of this statement.

CITY OF COLVILLE, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Colville's financial statements. The City of Colville uses the cash basis method of reporting in accordance with the laws of the State of Washington applicable to Second Class Cities.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - FEDERAL LOANS

The City of Colville was approved in 2013 by the EPA and the PWB to receive a loan totaling \$602,053 to improve its drinking water system for the area to be called the Garden Homes LID. The amount listed for this loan includes the final proceeds used during the year.

Both the current and prior year loans are also reported on the City of Colville's Schedule of Liabilities.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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