



Washington State Auditor's Office

Government that works for citizens

Financial Statements Audit Report

Town of Spangle

Spokane County

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

Published August 1, 2016

Report No. 1017106





Washington State Auditor's Office

August 1, 2016

Mayor and Town Council
Town of Spangle
Spangle, Washington

Report on Financial Statements

Please find attached our report on the Town of Spangle's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**Town of Spangle
Spokane County
January 1, 2014 through December 31, 2015**

2015-001 The Town's internal controls over financial statement preparation are inadequate to ensure accurate reporting.

Background

Town management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls that adversely affected the Town's ability to produce reliable financial statements, notes and required schedules.

Description of Condition

Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency:

- Town personnel responsible for compiling the financial information did not have adequate knowledge to accurately prepare the financial statements, notes to the financial statements, and schedule of liabilities.
- The Town lacked an effective review process to ensure amounts reported in the financial statements and schedules agree to the underlying accounting records.

Cause of Condition

The Town has a small staff and limited resources to dedicate to the financial reporting function. The Town relies on its accounting software to generate accurate financial statements and has not developed a review process to ensure their accuracy.

Effect of Condition

The financial statements submitted for audit contained the following errors:

2014:

- Managerial funds were not properly consolidated for reporting purposes. The garbage fund was improperly reported in the water/sewer fund. The audit reserve fund was reported separately and should have been consolidated in the Current Expense Fund. The Department of Ecology sewer loan fund was not consolidated into the Sewer Fund.
- Inter-fund activities of two funds totaling \$26,351 were included in the financial reports. If the funds were properly consolidated, the transactions would have been eliminated.

2015

- Managerial funds were not properly consolidated for reporting purposes. The audit reserve fund was reported separately and should have been consolidated in the Current Expense Fund.
- Inter-fund activity of the Audit Reserve fund totaling \$6,000 was included in the financial reports. If the fund was properly consolidated, the transaction would have been eliminated.
- The City reported cash balances in two funds as unreserved when at least \$7,229 should have been reserved for a specific purposes.

We also identified errors in the notes to the financial statements and schedule of liabilities.

The Town corrected all of the above errors on the final financial statements.

Recommendation

We recommend the Town strengthen its financial statement preparation internal controls to ensure:

- Employees responsible for preparation of the financial reports are properly trained.
- Controls include a detailed review of the financial statements, supporting schedules and notes to ensure they are complete and accurate.

Town's Response

The Town's Clerk/Treasurer will continue to attend Annual Report classes offered by BIAS and SAO. She will also take extra precautions to ensure accuracy, by scheduling appointments with BIAS staff and/or SAO representatives to double check reports before submittal. The report will also be reviewed by a member of the Town council before submittal.

Auditor's Remarks

We appreciate the Town's commitment to resolve this finding and thank the Town for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budgeting Accounting and Reporting System (BARS) Manual – Accounting, Accounting Principles and General Procedures, Internal Control, states:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

When performing GAGAS financial audits auditors should communicate in the report on internal control over financial reporting and compliance based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and

any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accounts defines significant deficiencies and material weaknesses in its Codification of Statements on Audit Standards section 115 as follows:

- a. Significant deficiency: 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.
- b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Town of Spangle
Spokane County
January 1, 2014 through December 31, 2015**

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Town of Spangle. The State Auditor’s Office has reviewed the status as presented by the Town.

Audit Period: January 1, 2012 through December 31, 2013	Report Ref. No: 1012993	Finding Ref. No: 1
Finding Caption: The Town has not effectively managed its operations, resulting in a continued decline in its financial condition.		
Background: The Town’s financial position has declined over the past few years. The Town also exceeded its legally budgeted Water/Sewer appropriation by \$8,434 in 2012 and its Garbage Fund appropriation by \$2,850 in 2013. It is the responsibility of Town management to ensure restricted funds, such as utilities, are self-sustaining. Our audit found that the Current Expense Fund is supporting other funds with inter-fund transfers, which indicates that the restricted funds are not self-sustaining.		
Status of Corrective Action: <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The Mayor and council receive quarterly financial reports which show current expenses/revenues and the projected remaining year expenses/revenues. The Mayor and council passed a water rate increase in September of 2015 which has helped to make the Water Fund financially stable with no interfund transfers from Current Expense. They also passed a 6% utility tax for electric, gas and telephone land lines that have significantly improved the Current Expense Fund. From 2014-2015 the cash balance sufficiently increased from -4.9 days to 42.8, and the enterprise fund self-sufficiency increased from -.9% to 8.6%.</i>		

Audit Period: January 1, 2012 through December 31, 2013	Report Ref. No: 1012993	Finding Ref. No: 2
Finding Caption: The Town's internal controls over financial statement preparation are inadequate to ensure accurate reporting.		
Background: Town management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls that adversely affected the Town's ability to produce reliable financial statements, notes and required schedules.		
Status of Corrective Action: <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The Clerk has attended several Annual Report classes offered not only by the Town's accounting software, but also offered by the Auditor's Office. She also attended a two day class offered by the Town's accounting software company that included several Auditor's speakers. She also attended an 8 hour annual report class conducted by the Town's accounting software company. The annual reports did get reported and submitted on time, and the current BARS manual was used. However, the financials did not go through a review process by either the Mayor or a council member.</i>		

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

**Town of Spangle
Spokane County
January 1, 2014 through December 31, 2015**

Mayor and Town Council
Town of Spangle
Spangle, 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 Town of Spangle, Spokane County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated June 25, 2016.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-001 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of the Town'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*.

TOWN'S RESPONSE TO FINDINGS

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The Town'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 Town'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 Town'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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 25, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Spangle Spokane County January 1, 2014 through December 31, 2015

Mayor and Town Council
Town of Spangle
Spangle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Spangle, Spokane County, Washington, for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 17.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 Town of Spangle 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 Town of Spangle, for the years ended December 31, 2015 and 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Town 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 Town of Spangle, as of December 31, 2015 and 2014, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2016 on our consideration of the Town’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 Town's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the typed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 25, 2016

FINANCIAL SECTION

**Town of Spangle
Spokane County
January 1, 2014 through December 31, 2015**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2015
Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2015
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2015
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2015
Schedule of Liabilities – 2014

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense Fund</u>	<u>101 Street Fund</u>
Beginning Cash and Investments				
30810	Reserved	47,164	294	5,728
30880	Unreserved	2,365	(2,071)	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	164,905	130,907	12,895
320	Licenses and Permits	985	985	-
330	Intergovernmental Revenues	121,333	113,684	5,900
340	Charges for Goods and Services	204,356	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	3,242	3,197	-
Total Operating Revenues:		<u>494,821</u>	<u>248,773</u>	<u>18,795</u>
Operating Expenditures				
510	General Government	56,810	56,810	-
520	Public Safety	41,528	21,299	-
530	Utilities	162,076	-	-
540	Transportation	21,456	-	21,456
550	Natural and Economic Environment	4,534	4,534	-
560	Social Services	-	-	-
570	Culture and Recreation	7,439	7,439	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		<u>293,843</u>	<u>90,082</u>	<u>21,456</u>
Net Operating Increase (Decrease):		<u>200,978</u>	<u>158,691</u>	<u>(2,661)</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	30,000	-	10,000
Total Nonoperating Revenues:		<u>30,000</u>	<u>-</u>	<u>10,000</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	64	64	-
591-593	Debt Service	32,307	-	-
594-595	Capital Expenditures	106,300	105,866	434
597	Transfers-Out	30,000	30,000	-
Total Nonoperating Expenditures:		<u>168,670</u>	<u>135,929</u>	<u>434</u>
Net Increase (Decrease) in Cash and Investments:		<u>62,307</u>	<u>22,761</u>	<u>6,905</u>
Ending Cash and Investments				
5081000	Reserved	70,323	6,294	12,632
5088000	Unreserved	41,514	14,691	-
Total Ending Cash and Investments		<u>111,837</u>	<u>20,984</u>	<u>12,632</u>

The accompanying notes are an integral part of this statement.

107 CRIMINAL JUSTICE FUND	400 Water Fund	401 Sewer Fund	402 Garbage Collection Fund
7,897	-	26,015	7,229
-	1,491	2,945	-
-	-	-	-
21,103	-	-	-
-	-	-	-
1,748	-	-	-
-	65,001	86,724	52,631
-	-	-	-
-	-	45	-
22,851	65,001	86,769	52,631
-	-	-	-
20,228	-	-	-
-	48,613	68,463	44,999
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
20,228	48,613	68,463	44,999
2,623	16,388	18,306	7,632
-	-	-	-
-	-	-	-
-	-	20,000	-
-	-	20,000	-
-	-	-	-
-	7,473	24,833	-
-	-	-	-
-	-	-	-
-	7,473	24,833	-
2,623	8,915	13,473	7,632
10,520	-	26,015	14,861
-	10,405	16,418	-
10,520	10,405	42,433	14,861

The accompanying notes are an integral part of this statement.

Town of Spangle
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	101 Street Fund
Beginning Cash and Investments				
30810	Reserved	17,458	125	(19,339)
30880	Unreserved	941	8,502	-
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	166,532	134,130	12,976
320	Licenses and Permits	600	600	-
330	Intergovernmental Revenues	619,133	6,036	611,342
340	Charges for Goods and Services	184,185	-	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	2,071	2,047	-
Total Operating Revenues:		<u>972,521</u>	<u>142,813</u>	<u>624,317</u>
Operating Expenditures				
510	General Government	54,076	54,076	-
520	Public Safety	37,312	21,349	-
530	Utilities	175,654	-	-
540	Transportation	25,143	-	25,143
550	Natural and Economic Environment	299	299	-
560	Social Services	-	-	-
570	Culture and Recreation	7,448	7,448	-
Total Operating Expenditures:		<u>299,933</u>	<u>83,173</u>	<u>25,143</u>
Net Operating Increase (Decrease):		<u>672,589</u>	<u>59,641</u>	<u>599,174</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	70,000	-	35,000
Total Nonoperating Revenues:		<u>70,000</u>	<u>-</u>	<u>35,000</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	45	45	-
591-593	Debt Service	32,307	-	-
594-595	Capital Expenditures	609,107	-	609,107
597	Transfers-Out	70,000	70,000	-
Total Nonoperating Expenditures:		<u>711,459</u>	<u>70,045</u>	<u>609,107</u>
Net Increase (Decrease) in Cash and Investments:		<u>31,130</u>	<u>(10,404)</u>	<u>25,067</u>
Ending Cash and Investments				
5081000	Reserved	47,164	294	5,728
5088000	Unreserved	2,365	(2,071)	-
Total Ending Cash and Investments		<u>49,529</u>	<u>(1,778)</u>	<u>5,728</u>

The accompanying notes are an integral part of this statement.

107 CRIMINAL JUSTICE FUND	400 Water Fund	401 Sewer Fund	402 Garbage Collection Fund
2,678	-	26,015	7,979
-	(9,879)	2,319	-
-	-	-	-
19,427	-	-	-
-	-	-	-
1,755	-	-	-
-	56,683	80,217	47,285
-	-	-	-
-	-	24	-
<u>21,182</u>	<u>56,683</u>	<u>80,240</u>	<u>47,285</u>
-	-	-	-
15,963	-	-	-
-	66,840	60,781	48,034
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>15,963</u>	<u>66,840</u>	<u>60,781</u>	<u>48,034</u>
<u>5,219</u>	<u>(10,157)</u>	<u>19,459</u>	<u>(749)</u>
-	-	-	-
-	-	-	-
-	29,000	6,000	-
-	<u>29,000</u>	<u>6,000</u>	-
-	-	-	-
-	7,473	24,833	-
-	-	-	-
-	-	-	-
-	<u>7,473</u>	<u>24,833</u>	-
5,219	11,370	626	(749)
7,897	-	26,015	7,229
-	1,491	2,945	-
<u>7,897</u>	<u>1,491</u>	<u>28,961</u>	<u>7,229</u>

The accompanying notes are an integral part of this statement.

Town of Spangle
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	621 Utility Trust Fund
308	Beginning Cash and Investments	14,705	14,705
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	4,935	4,935
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	1,678	1,678
Net Increase (Decrease) in Cash and Investments:		3,257	3,258
508	Ending Cash and Investments	17,962	17,962

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	621 Utility Trust Fund
308	Beginning Cash and Investments	12,897	12,897
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	2,348	2,348
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	540	540
	Net Increase (Decrease) in Cash and Investments:	1,808	1,808
508	Ending Cash and Investments	14,705	14,705

The accompanying notes are an integral part of this statement.

Town of Spangle

For the Year Ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The Town of Spangle was incorporated on 1888 and operates under the laws of the state of Washington applicable to a Mayor-Council form of government. The Town of Spangle is a general purpose local government and provides fire control and prevention services, street improvements, park and recreation facilities, general administration services, and water and sewer services.

The Town of Spangle 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 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 general public and are supported primarily through user charges.

FIDUCIARY FUND TYPES:

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

Agency 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 Town of Spangle also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The Town of Spangle 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/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001- Current Expense	\$136,425	\$226,011	(\$89,586)
101- Street	\$22,300	\$21,890	\$410
107-Criminal	\$21,000	\$ 20,228	\$772
235- Sewer Loan	\$14,650.90	\$ 14,650.90	\$0
400 – Water Fund	\$60,473	\$ 56,086	\$4,387
401- Sewer Fund	\$99,426	\$93,296	\$6,130
402-Garbage	\$45,000	\$44,999	\$1.00
621-Utility Trust	\$2,000	\$1,678	\$322

Expenditures for the Current Expense Fund depicted in the table exceed the budgeted amount by \$89,586. This was a result of the Creek Restoration Project not obtaining funding until after the budget was adopted. Reimbursement for this project was received in fiscal year 2015.

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 Town of Spangle’s legislative body.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital Assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 160 days and is payable upon separation or retirement. Sick leave may be accumulated up to 72 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. Accompanying Schedule 09 includes estimated tax burden of 7.65%.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The Town of Spangle’s Other Financing Sources or Uses consist of agency expenditures.

I. Risk Management

The Town of Spangle 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, 2014, 94 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy 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 \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for 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 council. When expenditures that meet restrictions are incurred, the town intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- 001 Current Expense~ \$6,294 reserved for audits.
- 101 Street Fund~ \$12,632 restricted fund
- 107 Criminal Justice~\$10,520 reserved for Spokane County Sheriff's Contract
- 401 Sewer Fund \$26,015 restricted funds
- 402 Garbage Fund~\$14,861 restricted funds
- 621 Utility Deposit~\$17,962 reserved for utility deposit & refunds

Note 2 - 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 each month.

Property tax revenues are recognized when cash is received by the Town of Spangle. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Town's regular levy for the year 2015 was \$2.97 per \$1,000 on an assessed valuation of \$14,391,485 for a total regular levy of \$42,742.71.

The Town's Special Excess Police Levy for the year 2015 was \$1.19 per \$1,000 on assessed value for a special levy of \$17,000.00.

The Town's Special Excess Fire Levy for the year 2015 was \$1.50 per \$1,000 on assessed value for a special levy of \$23,000.00.

Note 3 – Deposits and Investments

Deposits and Investments

It is the Town of Spangle'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. All investments are insured, registered or held by the Town of Spangle or its agent in the government's name.

Investments in LGIP reported at fair value.

Investments by type at December 31, 2015 are as follows:

Type of Investment

LGIP	<u>\$22,831.02</u>
TOTAL	<u>\$22,831.02</u>

Note 4– Debt Service Requirements

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

The debt service requirements for revenue bonds including both principle and interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$28,483.42	\$2,895.27	\$31,378.69
2017	\$19,844.20	\$2,280.13	\$22,124.33
2018	\$5,598.08	\$1,875.29	\$7,473.37
2019	\$5,910.26	\$1,563.11	\$7,473.37
2020	\$6,236.45	\$1,236.92	\$7,473.37
2021 – 2023	<u>\$15,884.24</u>	<u>\$1,534.77</u>	<u>\$17,419.01</u>
TOTALS	<u>\$81,956.65</u>	<u>\$11,385.49</u>	<u>\$93,342.14</u>

Note 5 - Pension Plans

A. State Sponsored Pension Plans

Substantially all the Town of Spangle’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: PERS II.

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

At June 30, 2015 the Town of Spangle’s proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1 UAAL	%0.000649	\$33,949
PERS 2/3	%0.000839	\$29,978

NOTE 6- Other Disclosures

Interlocal agreements:

The Town of Spangle has a contract with Spokane County Fire District #3 for fire services at a yearly cost of \$23,000.

The Town of Spangle has a contract with Spokane County Sheriff's Department for police services at a yearly cost of \$17,000.00.

Town of Spangle

For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The Town of Spangle was incorporated on 1888 and operates under the laws of the state of Washington applicable to a Mayor-Council form of government. The Town of Spangle is a general purpose local government and provides fire control and prevention services, street improvements, park and recreation facilities, general administration services and water and sewer services.

The Town of Spangle 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 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.

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.

FIDUCIARY FUND TYPES:

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

Agency 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 Town of Spangle also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The Town of Spangle 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/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001- Current Expense	\$167,600.00	\$153,218.00	\$14,382.00
101- Street	\$635,750.00	\$634,250.02	\$1,499.98
107-Criminal	\$16,000.00	\$ 15,962.89	\$37.11
235- Sewer Loan	\$14,650.90	\$ 14,650.90	\$0
400 – Water Fund	\$78,000.00	\$ 74,313.13	\$3,686.87
401- Sewer Fund	\$90,500.00	\$ 85,613.72	\$4,886.28
402-Garbage	\$48,500.00	\$ 48,034.09	\$465.91
621-Utility Trust	\$550.00	\$540.30	\$9.70

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 Town of Spangle’s legislative body.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 160 days and is payable upon separation or retirement. Sick leave may be accumulated up to 72 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. Accompanying Schedule 09 includes estimated tax burden of 7.65%.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The Town of Spangle’s Other Financing Sources or Uses consist of transfers in and out between funds.

I. Risk Management

The Town of Spangle 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, 2014, 94 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy 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 \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2014, AWC RMSA carried a retention of \$50,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for 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 council. When expenditures that meet restrictions are incurred, the town intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- 001 Current Expense~ \$294 reserved for audits.
- 101 Street-\$5,728 restricted funds
- 107 Criminal Justice~\$7,897 reserved for Spokane County Sheriff's Contract
- 401~ Sewer Fund \$26,015 restricted funds (DOE Sewer Loan)
- 402 Garbage Fund~\$7,229 restricted funds
- 621 Utility Deposit~\$14,705 reserved for utility deposit & refunds

Note 2 - 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 each month.

Property tax revenues are recognized when cash is received by the Town of Spangle. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Town’s regular levy for the year 2014 was \$2.88 per \$1,000 on an assessed valuation of \$14,344,036 for a total regular levy of \$41,310.82.

The Town’s Special Excess Police Levy for the year 2014 was \$1.00 per \$1,000 on assessed value for a special levy of \$16,000.00.

The Town’s Special Excess Fire Levy for the year 2014 was \$1.50 per \$1,000 on assessed value for a special levy of \$23,000.00.

Note 3 – Deposits and Investments

Deposits and Investments

It is the Town of Spangle’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. All investments are insured, registered or held by the Town of Spangle or its agent in the government’s name.

Investments in LGIP reported at fair value.

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

Type of Investment

LGIP	\$22,793.56
Total	\$22,793.56

Note 4– Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Spangle and summarizes the Town’s debt transactions for year ended December 31, 2014.

The debt service requirements for revenue bonds including both principle and interest, are as follows:

	Other Debt	Total Debt
2015	\$ 32,306.51	\$ 32,306.51
2016	\$ 31,378.69	\$ 31,378.69
2017	\$ 22,124.33	\$ 22,124.33
2018	\$ 7,473.37	\$ 7,473.37
2019	\$ 7,473.37	\$ 7,473.37
2020-2023	\$ 24,892.38	\$ 24,892.38
Totals	\$130,649.75	\$130,649.75

Note 5 - Pension Plans

Substantially all the Town of Spangle’s full-time and qualifying part-time employees participate in a retirement plan 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 Town of Spangle’s financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits. The Town participates in PERS 2.

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 – HEALTH & WELFARE

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

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

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP. The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state

of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement. Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims. Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Note 7- Other Disclosures

Related party transactions:

Ron Cockle, council member, owns Cockle Custom Welding in Spangle. The Town paid CCW \$224.62 in 2014 for acetylene exchange and for constructing a hand rail at the PO.

Interlocal Agreements:

The Town of Spangle has a contract with Spokane County Fire District #3 for fire services at a yearly cost of \$23,000.

The Town of Spangle has a contract with Spokane County Sheriff's Department for police services at a yearly cost of \$16,000.00.

**Town of Spangle
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Obligations						
263.82	DOE	12/22/2017	43,194	-	14,255	28,939
263.82	BFP	10/1/2016	18,501	-	9,472	9,029
263.62	BOF	11/1/2020	48,714	-	4,794	43,920
259.12	Comp. Abs.Prop		1,384	527	-	1,911
264.30	Net Pension Liability		-	63,927	-	63,927
Total Revenue Obligations:			111,793	64,454	28,521	147,726
Total Liabilities:			111,793	64,454	28,521	147,726

**Town of Spangle
Schedule of Liabilities
For the Year Ended December 31, 2014**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Revenue Obligations						
263.82	DOE	12/22/2017	57,307	-	14,113	43,194
263.82	BFP	10/1/2016	27,512	-	9,011	18,501
263.62	BOF	11/1/2020	53,251	-	4,537	48,714
259.12	Comp. Abs-Prop		895	489	-	1,384
Total Revenue Obligations:			138,965	489	27,661	111,793
Total Liabilities:			138,965	489	27,661	111,793

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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