



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

## **Financial Statements Audit Report**

# **Town of Spangle**

**Spokane County**

**For the period January 1, 2012 through December 31, 2013**

**Published November 20, 2014**

**Report No. 1012993**





## Washington State Auditor Troy Kelley

November 20, 2014

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 black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "X" for the middle initial.

TROY KELLEY  
STATE AUDITOR

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# Schedule of Audit Findings and Responses

## Town of Spangle Spokane County January 1, 2012 through December 31, 2013

### 1. The Town has not effectively managed its operations, resulting in a continued decline in its financial condition.

#### Description of Condition

The Town's financial position has declined over the past few years. The Town's fund balances (deficits) were:

Year	Current Expense Fund	Street Fund	Water Fund*	Sewer
December 31, 2010	\$7,300	\$320	--	\$28,262
December 31, 2011	\$4,881	(\$18,442)	--	\$25,013
December 31, 2012	\$11,495	(\$29,449)	--	\$22,252
December 31, 2013	\$8,502	(\$19,339)	(\$4,197)	\$22,652
July 31, 2014 (unaudited)	\$7,635	(\$5,239)	(\$16,661)	\$7,925

\*Note: The Water fund was created at the beginning of 2013, prior to that the fund was combined with the Sewer fund.

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. The Town transferred the following funds from the Current Expense Fund to support operations of other funds:

Fund	2012	2013
Street	\$4,000	\$18,000
Water	--	\$5,000
Sewer	\$15,000	\$14,000

Without these transfers, the Sewer fund would also have reported a deficit balance for 2013.

In addition, as communicated in Finding 1 in the Accountability Audit Report, the Town's Water Fund was overcharged for its portion of shared service costs by an estimated \$15,000, which contributed to the fund's deficit balance.

We communicated concerns related to declining financial condition to Town management in an audit finding in the prior audit.

## **Cause of Condition**

Although the City has taken steps to increase revenues by approving a six percent utility tax in March 2013, its financial condition continues to decline. The Town's water and sewer utilities do not generate sufficient revenues to cover the cost of operations. In addition, the Town has not put appropriate practices in place to effectively monitor the Town's budget, operations and financial condition.

## **Effect of Condition**

The Town is at risk of not being able to meet its operating expenses or maintain services at current levels.

Without timely budget monitoring, the Town cannot maintain control over the allocation and use of its resources. When expenditures exceed authorized appropriations, public funds are spent without legal authority and without the knowledge of interested citizens.

When the Town has a deficit fund balance, it borrows from other funds to pay expenses which results in an unauthorized interfund loan. Unless these interfund loans are properly approved in accordance with the *Budget Accounting and Reporting System* (BARS) manual, they could become a permanent diversion of funds in violation of state law.

## **Recommendation**

We recommend the Mayor and Town Council:

- Develop a formal financial plan to address cash flow issues and monitor and evaluate actual results to the plan to ensure its financial condition improves. The plan should be revised if expected improvements are not achieved.
- Ensure they receive timely financial information to allow them to effectively monitor cash flow and make informed decisions.
- Monitor actual expenditures to ensure they remain within legal budget appropriations.
- Monitor the operations of its utility funds to ensure user fees generate adequate revenue to operate and sustain each fund.
- Ensure interfund loans are approved according to BARS manual guidance.
- Establish and follow a cost allocation plan to ensure costs allocated to restricted funds are equal to the benefit received.

## **Town's Response**

*In order to ensure the financial responsibility of the Town, the Mayor and Council will start receiving quarterly financial statements of the Town. These statements will include not only the current condition of the funds, but also the future anticipated expenditures and revenues for the year. The Mayor and Council will also look into conducting a utility rate study for the Town. This will help with the process of studying current utility rates, with the purpose of raising utility rates for the Town to help with the financial condition and sustainability in the utility funds, with the main focus on the water and sewer funds.*

## **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.

## **Schedule of Audit Findings and Responses**

**Town of Spangle  
Spokane County  
January 1, 2012 through December 31, 2013**

**2. 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 *Budget Accounting and Reporting System* (BARS) Manual provides guidance for financial reporting. Internal controls did not ensure that the most current guidance was properly used to generate each year's financial reports.
- 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:

### 2012

- Managerial funds were not properly consolidated for reporting purposes. The garbage fund was improperly reported in the water/sewer fund and the audit reserve fund was reported separately and should have been consolidated in the Current Expense Fund.
- Inter-fund activities of two funds totaling \$20,151 were included in the financial reports. If the funds were properly consolidated, the transactions would have been eliminated.
- Beginning reserved and unreserved cash balances did not agree to prior year ending balances by a total of \$17,123 in three funds.

### 2013

- Managerial funds were not properly consolidated for reporting purposes. The garbage fund was improperly reported in the sewer fund. The audit reserve fund was reported separately and should have been reported with the current expense fund activity.
- Inter-fund activities of as much as \$14,000 were not properly eliminated in the sewer fund causing transfers in and transfer out to be out of balance.
- Beginning reserve and unreserved fund balances did not agree to prior year ending balances by a total of \$25,192 in two funds.
- The Town began reporting separate water and sewer utility activities in 2013. The Town failed to allocate the water/sewer capital improvements fund cash between the two activities, understating the beginning balance of the water fund by as much as \$5,600 and overstating the sewer fund by the same amount.

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

## **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.
- The financial statements, notes and schedules are prepared in accordance with the most current BARS Manual guidance.



- Controls include a detailed review of the financial statements, supporting schedules and notes to ensure they are complete and accurate.

## **Town's Response**

*In order to minimize the inaccuracies for future annual reports, the Town Clerk/Treasurer will be attending Annual Report classes offered by the Town's accounting software and any other classes offered by the Auditor's Office. This will ensure that any mistakes or wrong coding to funds will be caught and fixed before any reports are submitted. The annual report will also be reviewed several times before actually submitting to the Auditor's Office, by a person or committee consisting of either the Mayor and/or council members. Every January the Clerk/Treasurer will also request current amortization schedules from all vendors with loans to the Town to ensure accuracy.*

## **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**

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart E, Section 500, states in part:

(a) General. The audit shall be conducted in accordance with GAGAS . . . .

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

**4.23** 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 Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

**.07** For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or a 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.

Significant deficiency. 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.

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.

*Budget Accounting and Reporting System (BARS) Manual – Part 3, Accounting, Chapter 3. Accounting Principles and Internal Control, Section 3. Internal Control* states in part:

#### Purpose and Definition of Internal Controls

Internal control is defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), in standards adopted by the American Institute of Certified Public Accountants and by the Federal Office of Management and Budget as follows:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has *ultimate* responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management. Since management and the governing body are assumed to work in harmony, both parties are collectively referred to as “management” throughout the rest of this section . . .

#### Controls over Financial Reporting

This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting . . .

Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

# **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, 2012 through December 31, 2013**

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated October 10, 2014. Our report includes information about the status of the Town's financial condition. This information is more fully described in Finding 1 in the Schedule of Audit Findings and Responses. The Town's response to the finding was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion.

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 or permitted 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 2, that we consider to be significant deficiencies.

## ***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

October 10, 2014

# **Independent Auditor's Report on Financial Statements**

## **Town of Spangle Spokane County January 1, 2012 through December 31, 2013**

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 18.

#### ***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 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 using accounting practices prescribed or permitted by Washington State statutes and 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, 2013 and 2012, 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, 2013 and 2012, 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.

### ***Emphasis of Matter Regarding Fiscal Sustainability***

As described in Finding 1 in the Schedule of Findings and Responses, the Town's financial position is unstable. The Town's enterprise funds are not self-sustaining as their expenses exceed revenues and require support from the general fund. While the Town imposed a new utility tax in 2013 to help improve their financial condition this has not shown adequate improvement in the Town's overall financial position. As a result, there exists uncertainty about the Town's ability to maintain services at present levels under these conditions. Our opinion is not modified with respect to this matter.



## ***Other Matters***

### ***Town's Response to Finding***

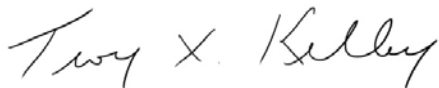
The Town's response to the finding identified above is described in the accompanying Schedule of Audit Findings and Responses. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***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 October 10, 2014 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.



**TROY KELLEY**  
STATE AUDITOR

October 10, 2014

## **Financial Section**

**Town of Spangle  
Spokane County  
January 1, 2012 through December 31, 2013**

### ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2013  
Fund Resources and Uses Arising from Cash Transactions – 2012  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2012  
Notes to Financial Statements – 2013  
Notes to Financial Statements – 2012

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

Schedule of Liabilities – 2013  
Schedule of Liabilities – 2012

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 Current Expense Fund	101 Street Fund	107 CRIMINAL JUSTICE FUND
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	26,451	125	0	4,568
30880	Beg Fund Bal-Unreserved	-10,353	11,495	-29,449	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
<b>Operating Revenues</b>					
310	Taxes	117,650	100,736	12,101	4,813
320	Licenses & Permits	638	638	0	0
330	Intergovernmental Revenues	652,511	5,276	645,553	1,681
340	Charges for Goods and Services	188,664	0	0	0
350	Fines & Penalties	74	74	0	0
360	Miscellaneous Revenues	1,268	1,234	0	0
Total Operating Revenues:		960,803	107,957	657,654	6,494
<b>Operating Expenditures</b>					
510	General Government	40,668	40,668	0	0
520	Public Safety	33,790	21,406	0	12,384
530	Utilities	178,317	0	0	0
540	Transportation	558,440	0	558,440	0
550	Natural and Economic Environment	304	304	0	0
560	Social Services	50	50	0	0
570	Culture And Recreation	7,522	7,522	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		819,091	69,950	558,440	12,384
Net Operating Increase (Decrease):		141,714	38,007	99,214	-5,890
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	41,000	0	18,000	4,000
Total Nonoperating Revenues:		41,000		18,000	4,000
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	24,833	0	0	0
594-595	Capital Expenditures	114,577	0	107,104	0
597	Transfers-Out	41,000	41,000	0	0
Total Nonoperating Expenditures:		180,410	41,000	107,104	
Increase (Decrease) in Cash and Investments		2,304	-2,993	10,110	-1,890
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	25,433	125	0	2,678
50880	End Fund Balance-Unreserved	-7,033	8,502	-19,339	0

The accompanying notes are an integral part of this Statement.

BARS Code		400 Water Fund	401 Sewer Fund	402 Garbage Collection Fund
<b>Beginning Cash and Investments</b>				
30810	Beg Fund Bal-Reserved	0	14,651	7,107
30880	Beg Fund Bal-Unreserved	3,801	3,801	0
38800/58800	Prior Period Adjustments, net	0	0	0
<b>Operating Revenues</b>				
310	Taxes	0	0	0
320	Licenses & Permits	0	0	0
330	Intergovernmental Revenues	0	0	0
340	Charges for Goods and Services	57,936	83,305	47,422
350	Fines & Penalties	0	0	0
360	Miscellaneous Revenues	0	34	0
Total Operating Revenues:		57,936	83,339	47,422
<b>Operating Expenditures</b>				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Utilities	63,461	68,306	46,550
540	Transportation	0	0	0
550	Natural and Economic Environment	0	0	0
560	Social Services	0	0	0
570	Culture And Recreation	0	0	0
598	Intergovernmental Payments	0	0	0
Total Operating Expenditures:		63,461	68,306	46,550
Net Operating Increase (Decrease):		-5,525	15,033	872
<b>Nonoperating Revenues</b>				
370, 380, 395, 398	Other Financing Sources	0	0	0
391-393	Debt Proceeds	0	0	0
397	Transfers-In	5,000	14,000	0
Total Nonoperating Revenues:		5,000	14,000	
<b>Nonoperating Expenditures</b>				
580, 596, 599	Other Financing Uses	0	0	0
591-593	Debt Service	0	24,833	0
594-595	Capital Expenditures	7,473	0	0
597	Transfers-Out	0	0	0
Total Nonoperating Expenditures:		7,473	24,833	
Increase (Decrease) in Cash and Investments		-7,998	4,200	872
<b>Ending Cash and Investments</b>				
50810	End Fund Bal-Reserved	0	14,651	7,979
50880	End Fund Balance-Unreserved	-4,197	8,001	0

The accompanying notes are an integral part of this Statement.

## FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 Current Expense Fund	101 Street Fund	107 CRIMINAL JUSTICE FUND
<b>Beginning Cash and Investments</b>					
30810	Beg Fund Bal-Reserved	17,123	2,234	0	238
30880	Beg Fund Bal-Unreserved	2,094	4,881	-18,442	0
38800/58800	Prior Period Adjustments, net	142	142	0	0
<b>Operating Revenues</b>					
310	Taxes	130,478	96,472	15,199	18,807
320	Licenses & Permits	513	513	0	0
330	Intergovernmental Revenues	190,622	5,937	45,403	1,652
340	Charges for Goods and Services	199,695	0	0	0
350	Fines & Penalties	64	64	0	0
360	Miscellaneous Revenues	2,406	1,158	0	0
Total Operating Revenues:		523,778	104,143	60,602	20,459
<b>Operating Expenditures</b>					
510	General Government	50,602	50,602	0	0
520	Public Safety	38,986	22,857	0	16,129
530	Utilities And Environment	189,217	141	0	0
540	Transportation	33,428	0	33,428	0
550	Economic Environment	0	0	0	0
560	Mental & Physical Health	73	73	0	0
570	Culture And Recreation	7,645	7,645	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		319,950	81,317	33,428	16,129
Net Operating Increase (Decrease):		203,827	22,826	27,174	4,330
<b>Nonoperating Revenues</b>					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	39,151	5,500	4,000	0
Total Nonoperating Revenues:		39,151	5,500	4,000	0
<b>Nonoperating Expenditures</b>					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	28,755	0	0	0
594-595	Capital Expenditures	178,870	0	42,181	0
597	Transfers-Out	39,151	24,500	0	0
Total Nonoperating Expenditures:		246,776	24,500	42,181	0
Increase (Decrease) in Cash and Investments		-3,798	3,826	-11,007	4,330
<b>Ending Cash and Investments</b>					
50810	End Fund Bal-Reserved	26,451	125	0	4,568
50880	End Fund Balance-Unreserved	-10,353	11,495	-29,449	0

The accompanying notes are an integral part of this Statement.

BARS Code		401 Sewer Fund	402 Garbage Collection Fund
<b>Beginning Cash and Investments</b>			
30810	Beg Fund Bal-Reserved	14,651	0
30880	Beg Fund Bal-Unreserved	10,362	5,293
38800/58800	Prior Period Adjustments, net	0	0
<b>Operating Revenues</b>			
310	Taxes	0	0
320	Licenses & Permits	0	0
330	Intergovernmental Revenues	137,630	0
340	Charges for Goods and Services	147,726	51,969
350	Fines & Penalties	0	0
360	Miscellaneous Revenues	1,248	0
Total Operating Revenues:		286,605	51,969
<b>Operating Expenditures</b>			
510	General Government	0	0
520	Public Safety	0	0
530	Utilities And Environment	138,920	50,155
540	Transportation	0	0
550	Economic Environment	0	0
560	Mental & Physical Health	0	0
570	Culture And Recreation	0	0
598	Intergovernmental Payments	0	0
Total Operating Expenditures:		138,920	50,155
Net Operating Increase (Decrease):		147,684	1,814
<b>Nonoperating Revenues</b>			
370, 380, 395, 398	Other Financing Sources	0	0
391-393	Debt Proceeds	0	0
397	Transfers-In	29,651	0
Total Nonoperating Revenues:		29,651	
<b>Nonoperating Expenditures</b>			
580, 596, 599	Other Financing Uses	0	0
591-593	Debt Service	28,755	0
594-595	Capital Expenditures	136,689	0
597	Transfers-Out	14,651	0
Total Nonoperating Expenditures:		180,096	
Increase (Decrease) in Cash and Investments		-2,760	1,814
<b>Ending Cash and Investments</b>			
50810	End Fund Bal-Reserved	14,651	7,107
50880	End Fund Balance-Unreserved	7,601	0

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	621 Utility Trust Fund
308	Beginning Cash and Investments	12,165	12,165
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
380-390	Other Increases and Financing Sources	1,597	1,597
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	864	864
Increase (Decrease) in Cash and Investments		733	733
508	Ending Cash and Investments	12,898	12,898

The accompanying notes are an integral part of this Statement.

## FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	621 Utility Trust Fund
308	Beginning Cash and Investments	10,759	10,759
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
370-390	Other Increases and Financing Sources	1,730	1,730
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	324	324
Increase (Decrease) in Cash and Investments		1,406	1,406
508	Ending Cash and Investments	12,165	12,165

*The accompanying notes are an integral part of this Statement.*



**Town of Spangle**  
**Notes to the Financial Statements**  
**For the Year Ending December 31, 2013**

**Note 1 - Summary of Significant Accounting Policies**

The Town of Spangle reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

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 government and provides fire control and prevention services, street improvements, park and recreation facilities, and general administration services. The Town of Spangle uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

The accounts of the Town of Spangle are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The Town of Spangle resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the Town of Spangle:

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

This fund is the primary operating fund of the Town of Spangle. 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 Town of Spangle.

**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.

**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 Town of Spangle 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

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001- Current Expense	\$113,200	\$110,950.07	\$2,249.93
101- Street	\$668,700	\$665,544.16	\$3,155.84
103-Audit Reserve	\$0	\$0.00	\$0
107-Criminal	\$12,400	\$12,384.00	\$16
235- Sewer Loan	\$14,650.90	\$14,650.90	\$0
331-W/S Improvement	\$0	\$0	\$0
400 – Water Fund	\$75,300	\$70,934.20	\$4,365.80
401- Sewer Fund	\$94,800	\$78,488.28	\$16,311.72
402-Garbage	\$43,700	\$46,550.08	\$(2,850.08)
405- Water/Sewer Bond Reserve	\$0	\$0	\$0
621-Utility Trust	\$900	\$864.48	\$35.52

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.

The Garbage Fund was in the negative due increased overages which led to a higher billing at the end of the year that was not anticipated.

D. Cash

It is the Town of Spangle's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The Town of Spangle deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Derivatives and Similar Transactions

There are no derivatives and similar transactions.

H. Capital Assets

Capital assets are long-lived assets of the Town of Spangle and are recorded as expenditures when purchased.

I. 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. There are no derivatives and similar transactions. Upon separation or retirement employees do not receive payment for unused sick leave.

J. Long-Term Debt See Note 4, *Debt Service Requirements*.

K. Other Financing Sources or Uses

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

L. 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 R CW, 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, 2013, 91 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 reinsurance 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 pays out of its own funds all claims up to its Self-Insured Retention (SIR) of \$250,000 and, thereafter, purchases liability re-insurance through Berkley Public Entity of \$750,000. For the additional \$9 million in coverage limits, an excess liability policy is purchased from CV Starr. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. AWC RMSA has 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.

M. Reserved Fund Balance

001 Current Expense~ \$125 reserved for audits.  
 107 Criminal Justice~\$2,678 reserved for Spokane County Sheriff's Contract  
 401 Sewer Fund \$14,650.90 restricted funds (DOE Sewer Loan)  
 402 Garbage Fund~\$7,979 restricted funds  
 621 Utility Deposit~\$12,897 reserved for utility deposit & refunds

**Note 2 - Investments**

The Town of Spangle's investments are either insured, registered or held by the Town of Spangle or its agent in the Town of Spangle's name.

Investments are presented at the Bank of Fairfield.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	Town of Spangle's <b>own investments</b>
L.G.I.P.	\$22,770.83
Total	\$22,770.83

### **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 at the end of 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 of Spangle's regular levy for the year 2013 was \$2.84 per \$1,000 on an assessed valuation of \$14,270,553 for a total regular levy of \$40,522.29.

### **Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Spangle and summarizes the Town of Spangle's debt transactions for year ended December 31, 2013.

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

	Other Debt	Total Debt
2013	\$ 32,306.51	\$ 32,306.51
2014	\$ 32,306.51	\$ 32,306.51
2015	\$ 32,306.51	\$ 32,306.51
2016	\$ 31,374.44	\$ 31,374.44
2017	\$ 22,124.33	\$ 22,124.33
2018-2022	\$ 35,298.62	\$ 35,298.62
<b>Totals</b>	<b>\$ 185,716.92</b>	<b>\$185,716.92</b>

### **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.

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**

The Town of Spangle's Street and Water funds both ended in negative balances. The Mayor and Town Council have made steps to discontinue these negative balances by passing a Town Utility Tax, which became in effect on March 1, 2013. With this extra revenue, they are hoping this will help reduce the debts from these funds. They are also in the process of reviewing water and sewer utility rates and determining if an increase in these utilities will also help with the negative fund balances.

**Town of Spangle**  
**Notes to the Financial Statements**  
**For the Year Ending December 31, 2012**

**Note 1 - Summary of Significant Accounting Policies**

The Town of Spangle reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

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 government and provides fire control and prevention services, street improvements, park and recreation facilities, and general administration services. The Town of Spangle uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

The accounts of the Town of Spangle are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. The Town of Spangle's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the Town of Spangle:

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**Special Revenue Funds**

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

**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.

**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 Town of Spangle 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

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year budget appropriations as required by state law.

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.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## C. Budgets

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

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001- Current Expense	\$98,000	\$97,529.87	\$470.13
101- Street	\$153,450	\$75,608.88	\$77,841.12
103-Audit Reserve	\$ 7,600	\$7,608.74	\$(8.74)
107-Criminal	\$16,130	\$16,128.95	\$1.05
235- Sewer Loan	\$14,650.90	\$14,650.90	\$0
331-W/S Improvement	\$0	\$0	\$0
401 - Water/Sewer Operating Fund	\$295,930	\$304,364.00	\$(8,434)
402-Garbage	\$50,000	\$50,155.12	\$(155.12)
405- Water/Sewer Bond Reserve	\$14,650.90	\$0	\$14,650.90
621-Utility Trust	\$325	\$324.18	\$.82

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.

The Audit Reserve was in the negative due to an extra billing not forecasted. The Water/Sewer and Garbage fund was in the negative due to not budgeting for extra expenses.

D. Cash

It is the Town of Spangle's policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

The Town of Spangle's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Derivatives and Similar Transactions

There are no derivatives and similar transactions.

H. Capital Assets

Capital assets are long-lived assets of the Town of Spangle and are recorded as expenditures when purchased.

I. 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.

J. Long-Term Debt See Note 4 , *Debt Service Requirements*.

K. Other Financing Sources or Uses

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

L. 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, 2012, 91 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 boiler and machinery insurance coverage. Boiler and machinery is included with the property reinsurance carrier and employee fidelity coverage is a stand-alone policy that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$250,000 for liability and \$50,000 for property, and thereafter purchases excess liability insurance through ACE Insurance Company up to \$1 million, and CV Starr, from \$1 million to \$10 million. The excess property coverage is purchased through Lexington with limits up to \$250 million, using the Pool's broker, Arthur J. Gallagher Risk Management Services. Since AWC RMSA is a cooperative program, there is a 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.

**M. Reserved Fund Balance**

001 Current Expense~ \$125 reserved for audits.  
107 Criminal Justice~\$4,568 reserved for Spokane County Sheriff's Contract  
401 Sewer Fund~\$14,650.90 restricted funds (DOE Sewer Loan)  
402 Garbage Fund~\$7,107 restricted funds  
621 Utility Deposit~\$12,165 reserved for utility deposit & refunds

**Note 2 - Investments**

The Town of Spangle's investments are either insured, registered or held by the Town of Spangle or its agent in the Town of Spangle's name.

Investments are presented at The Bank of Fairfield.

Investments by type at December 31, 2012 are as follows:

<u>Type of Investment</u>	Town of Spangle's <b>own</b> investments
L.G.I.P.	\$22,735.54
Savings	<u>9,104.80</u>
Total	<u>\$31,840.34</u>

### **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 at the end of 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 of Spangle's regular levy for the year 2012 was \$2.44 per \$1,000 on an assessed valuation of \$15,237,836 for a total regular levy of \$37,143.37.

### **Note 4 – Debt Service Requirements**

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Spangle and summarizes the Town of Spangle's debt transactions for year ended December 31, 2012.

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

	Other Debt	Total Debt
2012	\$ 32,306.51	\$ 32,306.51
2013	\$32,306.51	\$32,306.51
2014	\$ 32,306.51	\$32,306.51
2015	\$ 32,306.51	\$32,306.51
2016	\$ 31,374.44	\$31,374.44
2017-2021	\$52,017.81	\$52,017.81
2022	\$5,405.14	\$5,405.14
<b>Totals</b>	<b>\$ 218,023.43</b>	<b>\$218,023.43</b>

### **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.

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**

The Town of Spangle's Street Fund ended in a negative balance. The Mayor and Town Council have made steps to discontinue these negative balances by passing a Town Utility Tax, which became in effect on March 1, 2013. With this extra revenue, they are hoping this will help reduce the debt from this fund.

## Town of Spangle

Schedule of Liabilities  
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	259.11	Compensated Absences		1,711	0	816	895
Total General Obligations:				1,711	0	816	895
Revenue Obligations							
	263.82	Bank of Fairfield/Water Rights	11/7/2020	57,633	0	4,382	53,251
	263.82	DOE Loan	12/22/2017	71,280	0	13,973	57,307
	263.82	Belt Filter Press	10/1/2016	36,085	0	8,573	27,512
Total Revenue Obligations:				164,998	0	26,928	138,070
Total Liabilities:				166,709	0	27,744	138,965

## Town of Spangle

Schedule of Liabilities  
For the year ended December 31, 2012

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
<b>General Obligations</b>							
	259.11	Compensated Absences		1,049	662	0	1,711
		<b>Total General Obligations:</b>		<b>1,049</b>	<b>662</b>	<b>0</b>	<b>1,711</b>
<b>Revenue Obligations</b>							
	263.82	DOE	12/22/2017	85,114	0	13,834	71,280
	263.82	BFP	10/1/2016	44,240	0	8,155	36,085
	263.62	Notes payable to BOF	11/7/2018	61,633	0	4,000	57,633
		<b>Total Revenue Obligations:</b>		<b>190,987</b>	<b>0</b>	<b>25,989</b>	<b>164,998</b>
		<b>Total Liabilities:</b>		<b>192,036</b>	<b>662</b>	<b>25,989</b>	<b>166,709</b>

## 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.

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