



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

## **Financial Statements and Federal Single Audit Report**

# **Town of Coupeville**

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

**Published February 9, 2017**

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**Report No. 1018576**





## Office of the Washington State Auditor

**Pat McCarthy**

September 24, 2018

Mayor and Town Council  
Town of Coupeville  
Coupeville, Washington

### **Report on Financial Statements and Federal Single Audit**

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

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 "Pat McCarthy". The signature is written in a cursive style.

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Audit Findings and Responses.....	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	9
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	12
Independent Auditor's Report on Financial Statements.....	15
Financial Section.....	19
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	43
About the State Auditor's Office.....	44

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Town of Coupeville** **January 1, 2015 through December 31, 2015**

#### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of the Town of Coupeville are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Financial Statements**

We issued an unmodified opinion on the fair presentation of the Town’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

##### **Internal Control over Financial Reporting:**

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

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

#### **Federal Awards**

##### **Internal Control over Major Programs:**

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

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

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
10.760	Water and Waste Disposal Systems for Rural Communities Cluster – Water and Waste Disposal Systems for Rural Communities Grant

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Town did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

See finding 2015-001.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Town of Coupeville January 1, 2014 through December 31, 2015**

**2015-001    The Town did not have adequate internal controls in place to ensure accurate financial reporting on the Schedule of Expenditures of Federal Awards.**

#### ***Background***

Town management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure financial events are identified properly and presented completely. Controls should also ensure the criteria and accounting methodology applied to financial events is correct. Our audit identified a deficiency in internal controls that adversely affected the Town's ability to produce reliable schedules. Because of its effect on the Town's financial reporting, we consider this a significant deficiency.

Local governments in Washington that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of the annual financial report. Federal regulations require grantees to identify, in their accounts, all federal money spent on the SEFA each fiscal year.

If the government spends \$750,000 or more in federal grant awards in a year, it must arrange for an audit of its federal grants, in accordance with federal regulations. Further, the government must submit the single audit reporting package to the federal government within 30 calendar days after we issue our audit report or within nine months after the end of the audit period, whichever is earlier.

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

The Town's internal controls over financial reporting of the SEFA were not sufficient to ensure accurate presentation. Although required for governments reporting on a cash basis, the Town did not report expenditures paid related to a federal loan on the SEFA.

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

The Town did not have a clear understanding of the SEFA reporting requirements for its federal grants and loans and did not follow guidance provided in the *Budgeting, Accounting and Reporting System (BARS) Manual* or *Uniform Guidance*.

Although the Town had procedures in place to review the required schedules, the review was not adequate to detect and correct errors related to the SEFA before the audit.

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

The Town misstated its SEFA because it did not include expenditures of the federal loan awarded under CFDA 10.760 Water and Waste Disposal Systems for Rural Communities.

The Town identified the misstatement and corrected the SEFA. However, the additional expenditures caused the Town's annual federal expenditures to exceed the \$750,000 threshold, requiring a federal single audit, after the Town's federal deadline for completing the audit and submitting its reporting package had expired.

After the federal deadline, our Office completed a federal single audit, updated and reissued our financial audit report and issued the Town's federal single audit report.

### ***Recommendations***

We recommend the Town:

- Prepare the SEFA in accordance with requirements outlined in the *Budgeting, Accounting and Reporting System (BARS) Manual and Uniform Guidance*
- Strengthen internal controls over SEFA preparation to ensure all federal awards spent are included on the schedule

### ***Town's Response***

*In 2015 the Town received a Water and Waste Disposal Systems for Rural Communities loan from the USDA. Town staff sought guidance from their USDA representative on reporting requirements and was told the loan did not qualify for reporting on the Schedule of Expenditures of Federal Awards (SEFA) because it was a loan and not a grant. Based on this inaccurate guidance, the loan expenditures were not reported on the 2015 SEFA. Unfortunately, the 2014-2015 annual audit performed by the State did not find the error in the 2015 SEFA report either. In late 2017 the Town applied for a FEMA grant, which if awarded in 2018 would require specific financial management. In preparation of possibly receiving this grant award the Town sent staff to a Washington State Auditor's training on managing Federal Awards, to ensure records and reporting would be handled appropriately. It was at this training that staff learned that the federal loan awarded under CFDA 10.760 should have been included in the 2015 SEFA report.*

*The Town immediately contacted the State Auditor's Office to self-report and then filed a corrected SEFA and scheduled a federal single audit.*

### ***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 the next regular audit.

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

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 510 – Financial Statements, establishes criteria and requirements related to the preparation of the schedule of expenditures of Federal awards.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

*Budget, Accounting and Reporting Standards* (BARS) manual 4.8.5 establishes reporting requirements related to the schedule of expenditures of Federal awards.

Title 2 CFR Part 200, Uniform Guidance, section 302 – Financial Management, requires grantees to identify, in their accounts, all Federal awards received and expended and the Federal programs under which the awards were received.

Title 2 CFR Part 200, Uniform Guidance, section 501 - Audit Requirements, requires non-Federal entities that expend Federal awards of \$750,000 or more during its fiscal year to have conducted a single audit.

Title 2 CFR Part 200, Uniform Guidance, section 514 – Scope of Audit, requires the audit be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and encompass the financial statements and schedule of expenditure of Federal awards (SEFA).

Title 2 CFR Part 200, Uniform Guidance, section 512 – Report submission, requires the audit be completed, the data collection form and reporting package submitted within the earlier of 30 calendar days after the auditor's report, or nine months after the end of the audit period.



**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 Coupeville  
January 1, 2014 through December 31, 2015**

Mayor and Town Council  
Town of Coupeville  
Coupeville, 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 Coupeville, 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 January 27, 2017.

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 opinions 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 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

January 27, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Town of Coupeville  
January 1, 2015 through December 31, 2015**

Mayor and Town Council  
Town of Coupeville  
Coupeville, Washington

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

We have audited the compliance of the Town of Coupeville, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2015. The Town's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a

direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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

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Pat McCarthy

State Auditor

Olympia, WA

September 12, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Town of Coupeville January 1, 2014 through December 31, 2015**

Mayor and Town Council  
Town of Coupeville  
Coupeville, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Town of Coupeville, 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 19.

#### **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 Coupeville 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 Coupeville, 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 Coupeville, 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 conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is 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 January 27, 2017 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 "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

January 27, 2017

## **FINANCIAL SECTION**

### **Town of Coupeville 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  
Schedule of Expenditures of Federal Awards – 2015  
Notes to the Schedule of Expenditures of Federal Awards – 2015

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund
<b>Beginning Cash and Investments</b>				
30810	Reserved	701,966	-	-
30880	Unreserved	3,135,502	709,502	143,361
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	1,206,101	1,070,846	-
320	Licenses and Permits	173,482	173,482	-
330	Intergovernmental Revenues	327,418	55,529	270,375
340	Charges for Goods and Services	1,148,739	110,907	1,000
350	Fines and Penalties	14,726	14,726	-
360	Miscellaneous Revenues	45,495	33,814	75
Total Operating Revenues:		2,915,961	1,459,304	271,449
<b>Operating Expenditures</b>				
510	General Government	437,459	437,459	-
520	Public Safety	527,061	527,061	-
530	Utilities	806,986	121,486	-
540	Transportation	161,842	-	161,842
550	Natural and Economic Environment	236,558	213,624	-
560	Social Services	471	471	-
570	Culture and Recreation	102,292	102,292	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		2,272,668	1,402,392	161,842
Net Operating Increase (Decrease):		643,292	56,911	109,607
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	12,767	11,435	-
391-393	Debt Proceeds	654,021	-	-
397	Transfers-In	927,084	237,565	259,376
Total Nonoperating Revenues:		1,593,872	249,000	259,376
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	33,671	8,829	-
591-593	Debt Service	123,500	-	-
594-595	Capital Expenditures	1,582,075	39,217	495,542
597	Transfers-Out	922,283	89,890	-
Total Nonoperating Expenditures:		2,661,528	137,937	495,542
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(424,365)</b>	<b>167,975</b>	<b>(126,559)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	767,811	-	-
5088000	Unreserved	2,645,294	877,478	16,802
<b>Total Ending Cash and Investments</b>		<b>3,413,105</b>	<b>877,478</b>	<b>16,802</b>

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

<b>104 Hotel/motel Tax Fund</b>	<b>105 Capital Improvement Fund</b>	<b>106 Drug Enforcement Fund/dare</b>	<b>107 Harbor Improvements</b>	<b>109 Park Impact Fee Fund</b>	<b>401 Utility Fund</b>
43,016	497,835	-	-	60,996	100,119
-	-	1,697	23,536	-	2,257,406
-	-	-	-	-	-
49,683	85,572	-	-	-	-
-	-	-	-	-	-
-	-	-	1,514	-	-
-	-	-	-	3,490	1,033,342
-	-	-	-	-	-
72	748	2	36	90	10,659
49,755	86,320	2	1,550	3,580	1,044,001
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	685,500
-	-	-	-	-	-
22,934	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
22,934	-	-	-	-	685,500
26,821	86,320	2	1,550	3,580	358,501
-	-	-	-	-	1,332
-	-	-	-	-	654,021
-	-	-	-	-	430,143
-	-	-	-	-	1,085,496
24,841	-	-	-	-	-
-	25,239	-	-	-	98,261
-	-	-	-	-	1,047,316
-	-	-	-	-	832,393
24,841	25,239	-	-	-	1,977,969
<b>1,980</b>	<b>61,081</b>	<b>2</b>	<b>1,550</b>	<b>3,580</b>	<b>(533,973)</b>
44,996	558,916	-	-	64,576	99,324
-	-	1,700	25,085	-	1,724,229
<b>44,996</b>	<b>558,916</b>	<b>1,700</b>	<b>25,085</b>	<b>64,576</b>	<b>1,823,553</b>

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

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

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund
<b>Beginning Cash and Investments</b>				
30810	Reserved	656,678	-	-
30880	Unreserved	2,436,819	760,365	232,178
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	1,173,644	1,055,566	-
320	Licenses and Permits	64,749	64,749	-
330	Intergovernmental Revenues	251,796	54,528	195,710
340	Charges for Goods and Services	1,065,946	36,251	500
350	Fines and Penalties	14,577	14,577	-
360	Miscellaneous Revenues	46,883	33,649	92
Total Operating Revenues:		2,617,596	1,259,320	196,303
<b>Operating Expenditures</b>				
510	General Government	474,606	474,606	-
520	Public Safety	515,892	515,892	-
530	Utilities	777,742	92,725	-
540	Transportation	311,825	-	311,825
550	Natural and Economic Environment	156,891	134,029	4,817
560	Social Services	348	348	-
570	Culture and Recreation	125,148	119,290	-
Total Operating Expenditures:		2,362,451	1,336,889	316,642
Net Operating Increase (Decrease):		255,144	(77,570)	(120,339)
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	805,691	7,500	-
391-393	Debt Proceeds	-	-	-
397	Transfers-In	385,323	193,089	99,454
Total Nonoperating Revenues:		1,191,013	200,589	99,454
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	32,173	11,857	-
591-593	Debt Service	133,122	-	-
594-595	Capital Expenditures	151,568	62,570	67,931
597	Transfers-Out	385,323	99,454	-
Total Nonoperating Expenditures:		702,187	173,882	67,931
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>743,972</b>	<b>(50,862)</b>	<b>(88,816)</b>
<b>Ending Cash and Investments</b>				
5081000	Reserved	701,171	-	-
5088000	Unreserved	3,136,297	709,502	143,361
<b>Total Ending Cash and Investments</b>		<b>3,837,468</b>	<b>709,502</b>	<b>143,361</b>

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

<b>104 Hotel/motel Tax Fund</b>	<b>105 Capital Improvement Fund</b>	<b>106 Drug Enforcement Fund/dare</b>	<b>107 Harbor Improvements</b>	<b>109 Park Impact Fee Fund</b>	<b>401 Utility Fund</b>
33,337	454,397	-	-	59,196	109,749
-	-	1,696	21,955	-	1,420,626
-	-	-	-	-	-
47,998	70,080	-	-	-	-
-	-	-	-	-	-
-	-	-	1,557	-	-
-	-	-	-	1,740	1,027,454
-	-	-	-	-	-
43	4,455	2	23	60	8,560
48,041	74,536	2	1,581	1,800	1,036,014
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	685,017
-	-	-	-	-	-
18,045	-	-	-	-	-
-	-	-	-	-	-
-	5,858	-	-	-	-
18,045	5,858	-	-	-	685,017
29,996	68,678	2	1,581	1,800	350,997
-	-	-	-	-	798,191
-	-	-	-	-	-
-	-	-	-	-	92,780
-	-	-	-	-	890,971
20,316	-	-	-	-	-
-	25,239	-	-	-	107,883
-	-	-	-	-	21,066
-	-	-	-	-	285,869
20,316	25,239	-	-	-	414,818
<b>9,680</b>	<b>43,439</b>	<b>2</b>	<b>1,581</b>	<b>1,800</b>	<b>827,150</b>
43,016	497,835	-	-	60,996	99,324
-	-	1,697	23,536	-	2,258,201
<b>43,016</b>	<b>497,835</b>	<b>1,697</b>	<b>23,536</b>	<b>60,996</b>	<b>2,357,525</b>

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

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

		<b>Total for All Funds (Memo Only)</b>	<b>621 Private- Purpose Trust Funds</b>	<b>631 Agency Funds</b>
308	Beginning Cash and Investments	11,493	6,703	4,790
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	17	10	7
380-390	Other Increases and Financing Sources	4,939	-	4,939
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	9,737	-	9,737
Net Increase (Decrease) in Cash and Investments:		(4,781)	10	(4,791)
508	Ending Cash and Investments	6,713	6,713	-

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



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

		<b>Total for All Funds (Memo Only)</b>	<b>621 Private- Purpose Trust Funds</b>	<b>631 Agency Funds</b>
308	Beginning Cash and Investments	11,632	6,696	4,936
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	12	7	5
380-390	Other Increases and Financing Sources	5,867	-	5,867
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	6,018	-	6,018
Net Increase (Decrease) in Cash and Investments:		(139)	7	(146)
508	Ending Cash and Investments	11,493	6,703	4,790

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

**Town of Coupeville**  
**Notes to the Financial Statements**  
**For the year ended 12/31/2015**

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

The Town of Coupeville was incorporated on April 1910 and operates under the laws of the state of Washington applicable to a Town with a Mayor-Council form of government. The Town of Coupeville is a general purpose local government and provides public safety, planning, street improvements, parks, and general administrative services.

The Town of Coupeville 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 - 001

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- 100 Series

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

#### PROPRIETARY FUND TYPES:

##### Enterprise Funds - 400

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

#### FIDUCIARY FUND TYPES:

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

##### Private-Purpose Trust Funds - 621

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

The Town has a trust established for the Community Commemorative Fund utilizing fund #621

##### Agency Funds - 631

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

The Town has an agency fund for the Cafeteria Fund established for employee medical.

#### 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 Coupeville 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 adopts annual appropriated budgets for general, special revenue, and enterprise 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 - General Fund	\$1,731,617	\$1,540,329	\$191,288
101 - Street Fund	\$1,022,638	\$657,384	\$365,254
104 – Hotel/Motel Tax	\$55,640	\$47,775	\$7,865
105 – Capital Improvement	\$179,239	\$25,239	\$154,000
106 - Drug Enforcement	\$1,705	\$0	\$1,705
107 - Harbor Improvement	\$26,955	\$0	\$26,955

109 - Park Impact Fee Fund	\$61,820	\$0	\$61,820
202 - 1979 Water & Sewer	\$11,500	\$5,438	\$6,062
212 – DOE – WWTP Loan	\$92,824	\$92,823	\$1
303 – Water Capital	\$695,523	\$321,393	\$374,130
304 – Sewer Capital	\$1,394,000	\$687,851	\$706,149
401 - Utility Fund	\$1,672,841	\$1,555,168	\$117,673
621 - Community	\$7,220	\$0	\$7,220
631 - Cafeteria Fund	\$10,935	\$9,737	\$1,198

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 Coupeville's legislative body.

D. Cash and Investments

It is the Town of Coupeville'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. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 2 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon retirement (not separation) employees do receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, Debt Service Requirements.

H. Other Financing Sources or Uses

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

I. Risk Management

The town of Coupeville is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and

machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

#### **J. Reserved Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Town of Coupeville's legislative body. When expenditures that meet restrictions are incurred, the Town of Coupeville intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- Hotel/Motel Tax Fund – restricted by RCW 36.100 (\$44,996)
- CIP/REET Fund – restricted by RCW 82.46.030 (\$558,916)
- Park Impact Fund – restricted by RCW 82.02.050-090 (\$64,576)
- Water/Sewer Debt reserves – per loan covenants (\$99,324)

### **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 (at/after) the end of each month.

Property tax revenues are recognized when cash is received by Town of Coupeville. 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 \$1.44 per \$1,000 on an assessed valuation of \$252,982,509 for a total regular levy of \$365,000.

### **Note 3 – Deposits and Investments**

It is the Town of Coupeville'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 (FDIC) and the Washington Public Deposit Protection Commission (WPDPC). All investments are insured, registered or held by the Town of Coupeville or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

Type of Investment	Balance
Local Government Investment Pool (LGIP)	\$ 3,000,872
Total Investments	\$ 3,000,872

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

##### **Debt Service**

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$120,789	\$17,638	\$138,426
2017	\$122,402	\$16,300	\$138,701
2018	\$126,072	\$14,866	\$140,939
2019	\$119,804	\$13,322	\$133,126
2020	\$121,101	\$12,026	\$133,126
<u>2020 – 2065</u>	<u>\$798,664</u>	<u>\$193,026</u>	<u>\$991,690</u>
TOTALS	<u>\$1,408,832</u>	<u>\$267,178</u>	<u>\$1,676,008</u>

#### **Note 5 – Pension Plans**

Substantially all Town of Coupeville's full-time and qualifying part-time employees participate in the PERS or LEOFF 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 Coupeville'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

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

At June 30, 2015 (the measurement date of the plans), the town's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1 UAAL	.004763%	\$249,149
PERS 2/3	.006154%	\$219,886
LEOFF 1	.001072%	(12,920)

## LEOFF Plan 1

The Town of Coupeville also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

### **Note 6 - Other Disclosures**

- Schedule 01 – There was an error carried over during conversion of our financial software in 2014 that effected the ending balance in 2014 and beginning balance in 2015 in the General Fund. While our software has not been corrected yet, the error was immaterial (139.88) and the beginning and ending balances have reported correctly on the 2014 and 2015 Annual Financial Statement.
- Schedule 09 – clarification for Compensated Absence liabilities reported. The total compensated absence being reported assumes that all employees will retire with the Town. The Town's personnel manual provides for a 25% buyout of sick leave upon retirement but in the event that the employee should separate from employment for reasons other than retirement, there is no sick leave accrual compensation provided. This difference between calculations is not considered material to the financials. Also, there was an error returned in the online reporting system because last year's ending balances were not carried over.
- The Town has several managerial funds of the Water/Sewer Utility. These funds are rolled together for reporting purposes as required by BARS. The following funds are included within the proprietary activity of the combined Water/Sewer Utility.
  - 1979 Water & Sewer Revenue Bond
  - 1994 PWTF Loan Fund
  - 2002 DOE – WWTP Loan Fund
  - Cumulative Reserve – Water Capital Fund
  - Cumulative Reserve – Sewer Capital Fund
- The Town's long time Fiscal Clerk retired unexpectedly in December of 2015 for personal reasons, and the former Mayor did not run for reelection. This change in key staff has delayed making changes required by BARS; the Town will be making the necessary changes in 2016. Several of the funds have incorrect numbers as defined by BARS within its general ledger that do not present a management problem but only a reporting issue. For reporting purposes these funds are being properly classified and reported in the financial statements. These funds are:

Town Fund	Reported As
202 1979 W/S Bond	401 Utility
212 WWTP Loan	401 Utility
303 Capital Improvement Water	401 Utility
304 Capital Improvement Sewer	401 Utility
401 Utility	401 Utility

## **Town of Coupeville**

**For the Year Ended December 31, 2014**

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

The Town of Coupeville was incorporated in April 1910 and operates under the laws of the state of Washington applicable to a Town with a Mayor-Council form of government. The Town of Coupeville is a general purpose local government and provides public safety, planning, street improvements, parks, and general administrative services.

The Town of Coupeville 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.
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- 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.
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### **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 - 001**

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

##### **Special Revenue Funds – Funds 100 Series**

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



### **PROPRIETARY FUND TYPES:**

#### Enterprise Funds – Fund 400 Series

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 Coupeville in a trustee capacity or as an agent on behalf of others.

#### Private-Purpose Trust Funds - Fund 621

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

The Town has a trust established for the Community Commemorative Fund utilizing fund #621

#### Agency Funds – Fund 631

These funds are used to account assets that Town of Coupeville holds for others in an agency capacity.

The Town has an agency fund for the Cafeteria Fund established for employee medical.

## **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 Coupeville 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 Coupeville adopts annual appropriated budgets for general, special revenue, and enterprise 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 - General Fund	1,991,347	1,510,771	480,576
101 - Street Fund	578,293	384,574	193,719
104 – Hotel/Motel Tax Fund	55,640	38,361	17,279

105 – Capital Improvement Fund	185,241	31,097	154,144
106 - Drug Enforcement Fund	1,700	0	1,700
107 - Harbor Improvement Fund	26,725	0	26,725
109 - Park Impact Fee Fund	60,020	0	60,020
202 - 1979 Water & Sewer Bond Fund	5,450	5,650	-200
203 – 1975 Water & Sewer Bond Fund	10,850	9,860	990
209 – 1994 PWTF Loan Fund	0	0	0
212 – DOE – WWTP Loan Fund	92,824	92,823	1
303 – Water Capital Improvement Fund	595,000	2,655	592,345
304 – Sewer Capital Improvement Fund	505,850	0	505,850
401 - Utility Fund	1,019,385	989,297	30,088
621 - Community Commemorative Fund	6,570	0	6,570
631 - Cafeteria Fund	13,000	6,018	6,982

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 Coupeville’s legislative body.

## **D. Cash and Investments**

It is the Town of Coupeville’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. Capital Assets**

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 2 years. Capital assets and inventory are recorded as capital expenditures when purchased.

## **F. Compensated Absences**

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon retirement (not separation) employees do receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid.

## **G. Long-Term Debt**

See Note 4, *Debt Service Requirements*.

## **H. Other Financing Sources or Uses**

The government’s *Other Financing Sources* or *Uses* consist of debt service.

## **I. Risk Management**

The town of Coupeville is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 175 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

## **J. Reserved Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Town of Coupeville's legislative body. When expenditures that meet restrictions are incurred, the Town of Coupeville intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

- Hotel/Motel Tax Fund – restricted by RCW 36.100 (\$43,016)
- CIP/REET Fund – restricted by RCW 82.46.030 ((\$497,835)
- Park Impact Fund – restricted by RCW 82.02.050-090 (\$60,996)
- Water/Sewer Debt reserves – per loan covenants (\$99,324)

## **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 the end of each month.

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

The Town of Coupeville's regular levy for the year 2014 was \$1.4575244830 per \$1,000 on an assessed valuation of \$245,042,491 for a total regular levy of \$357,155.43.

## **Note 3 – Deposits and Investments**

### **Deposits and Investments**

It is the Town of Coupeville'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 (FDIC) and the Washington Public Deposit Protection Commission (WPDPC). All investments are insured, registered or held by the Town of Coupeville or its agent in the government's name.

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

Type of Investment	Balance
Local Government Investment Pool (LGIP)	\$ 3,023,854.30
Total Investments	\$ 3,023,854.30

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

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

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

	<i>General Obligation</i>	<i>Revenue</i>	<i>Total</i>
2015	25,239.34	97,823.10	123,062.44
2016	25,239.34	98,123.10	123,362.44
2017	25,239.34	98,398.10	123,637.44
2018	25,239.34	100,635.60	125,874.94
2019	25,239.34	92,823.10	118,062.44

	2020 - 2025	56,921.05	510,526.93	567,447.98
<b>Total 2014 Debt Service</b>				
<b>Requirements</b>		<b>183,117.75</b>	<b>998,329.93</b>	<b>1,181,447.68</b>

## **Note 5 - Pension Plans**

Substantially all Town of Coupeville's full-time and qualifying part-time employees participate in the PERS or LEOFF 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 Coupeville'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**

- Schedule 09 – clarification for Compensated Absence liabilities reported. The total compensated absence being reported assumes that all employees will retire with the Town. The Town's personal manual provides for a 25% buyout of sick leave upon retirement but in the event that the employee should separate from employment for reasons other than retirement, there is no sick leave accrual compensation provided. This difference between calculations is not considered material to the financials.

- The Town has several managerial funds of the Water/Sewer Utility. These funds are rolled together for reporting purposes as required by BARS. The following funds are included within the proprietary activity of the combined Water/Sewer Utility.

- 1979 Water & Sewer Revenue Bond
- 1975 Water & Sewer Revenue Bond
- 1994 PWTF Loan Fund
- 2002 DOE – WWTP Loan Fund
- Cumulative Reserve – Water Capital Fund
- Cumulative Reserve – Sewer Capital Fund

- The Town's long time Clerk/Treasurer retired unexpectedly in March of 2014 for personal reasons. The Town has filled the vacated position with an individual that they feel will best meet the financial objectives of the Town. The new Clerk/Treasurer has sufficient accounting knowledge in local government to make the transition fairly seamless.

- The Town's long time Utility Clerk separated unexpectedly in August of 2014 for personal reasons, at the same time the Town upgraded its accounting software system. This

change in key staff has delayed making changes required by BARS; the Town will be making the necessary changes in 2015. Several of the funds have incorrect numbers as defined by BARS within its general ledger that do not present a management problem but only a reporting issue. For reporting purposes these funds are being properly classified and reported in the financial statements. These funds are:

<b>Town Fund</b>	<b>Reported As</b>
202 1979 W/S Bond	401 Utility
203 1975 W/S Bond	401 Utility
212 WWTP Loan	401 Utility
303 Capital Improvement Water	401 Utility
304 Capital Improvement Sewer	401 Utility
401 Utility	401 Utility

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	GO Debt - OSPC Property	3/1/2020	71,611	-	10,203	61,408
251.11	GO Debt - Ciarolo Property	9/15/2023	84,608	-	7,252	77,356
<b>Total General Obligation Debt/Liabilities:</b>			<b>156,219</b>	<b>-</b>	<b>17,455</b>	<b>138,764</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
252.11	1979 W/S Revenue Bond	12/1/2018	21,000	-	4,000	17,000
252.11	2015 USDA Rev Bond	5/1/2055	-	364,000	-	364,000
259.12	Compensated Absence		30,908	-	9,892	21,016
263.82	2003 DOE - WWTP Loan	4/30/2025	974,642	-	92,823	881,819
263.92	2015 Interim Construction Loan	1/1/2017	-	395,972	-	395,972
264.30	Net Pension Liability		-	469,035	-	469,035
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,026,550</b>	<b>1,229,007</b>	<b>106,715</b>	<b>2,148,842</b>
<b>Total Liabilities:</b>			<b>1,182,769</b>	<b>1,229,007</b>	<b>124,170</b>	<b>2,287,606</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	GO Debt - OSPC Property	3/1/2020	81,219	-	9,608	71,611
251.11	GO Debt - Ciarolo Property	9/15/2023	91,559	-	6,951	84,608
<b>Total General Obligation Debt/Liabilities:</b>			<b>172,778</b>	<b>-</b>	<b>16,559</b>	<b>156,219</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Go Compensated Absence Liability		47,043	-	26,469	20,574
252.11	1979 W/S Revenue Bond	12/1/2018	25,000	-	4,000	21,000
252.11	1975 W/S Revenue Bond	12/1/2014	9,500	-	9,500	-
263.82	2003 DOE - WWTP Loan	4/30/2025	1,067,466	-	92,823	974,643
259.12	Compensated Absence		18,587	-	8,252	10,335
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,167,596</b>	<b>-</b>	<b>141,044</b>	<b>1,026,552</b>
<b>Total Liabilities:</b>			<b>1,340,374</b>	<b>-</b>	<b>157,603</b>	<b>1,182,771</b>



**Town of Coupeville**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Total	Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards			
Rural Utilities Service, Department Of Agriculture (via Department of Agriculture)	Water and Waste Disposal Systems for Rural Communities	10.760	Madrona Water	328,123	-	328,123	-	1,2,4
Rural Utilities Service, Department Of Agriculture (via Department of Agriculture)	Water and Waste Disposal Systems for Rural Communities	10.760	Madrona Sewer	697,000	-	697,000	-	1,2,3,4
<b>Total CFDA 10.760:</b>				<b>1,025,123</b>	<b>-</b>	<b>1,025,123</b>	<b>-</b>	
<b>Highway Planning and Construction Cluster</b>								
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	STPR-L150(002)	381,279	-	381,279	-	1,2,3,4
<b>Total Highway Planning and Construction Cluster:</b>				<b>381,279</b>	<b>-</b>	<b>381,279</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>1,406,402</b>	<b>-</b>	<b>1,406,402</b>	<b>-</b>	

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015**

**Note 1 – Basis of Accounting**

This schedule is prepared on the same basis of accounting as the financial statements. The Town of Coupeville uses the Cash Basis of accounting.

**Note 2 – Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Town of Coupeville's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Federal Loans**

(a) The Town of Coupeville was approved by the USDA Rural Utilities Service to receive a loan totaling \$697,000 to replace a sewer main line and install a lift station. This loan required an interim construction loan, which is what is reported here. The amount listed for this loan includes the proceeds used during the year.

(b) The Town of Coupeville was approved by the USDA Rural Utilities Service to receive a loan totaling \$364,000 to replace a water main line. The amount listed for this loan includes the proceeds used during the year.

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

**Note 4 – Indirect Cost Rate**

The Town of Coupeville has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



### CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**Town of Coupeville**

**Island County**

**January 1, 2015 through December 31, 2015**

<b>Finding ref number:</b> 2015-001	<b>Finding caption:</b> The Town did not have adequate internal controls in place to ensure accurate financial reporting on the Schedule of Expenditures of Federal Awards.
<b>Name, address, and telephone of auditee contact person:</b> Clerk-Treasurer Kelly Beech 4 7th St NE Coupeville, WA 98239 360-378-4461	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The Town is committed to accurately reporting expenditures and revenues within the required timeframe. Therefore;</i> <ul style="list-style-type: none"><li>• <i>Reporting staff attended training in January 2018, presented by the Washington State Auditor's Office, specifically on reporting Federal Awards.</i></li><li>• <i>The Town will send all staff involved in the reporting and review of financial reports to regular training, to ensure the criteria and accounting methodology applied to financial events, and subsequent reporting, is correct.</i></li><li>• <i>The Town will only consult with the State Auditor's Office, and rely on the Budgeting, Accounting and Reporting System Manual when there are reporting questions in the future.</i></li></ul>	
<b>Anticipated date to complete the corrective action:</b> <i>Training will be ongoing as staff, requirements and regulations can change from year to year.</i>	

## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>