



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Town of Coupeville

For the period January 1, 2016 through December 31, 2017

Published September 20, 2018

Report No. 1022126





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

September 20, 2018

Mayor and Town Council
Town of Coupeville
Coupeville, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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Town of Coupeville

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Town of Coupeville January 1, 2016 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2015 through December 31, 2015	Report Ref. No.: 1018576	Finding Ref. No.: 2015-001
Finding Caption: The Town did not have adequate internal controls in place to ensure accurate financial reporting on the Schedule of Expenditures of Federal Awards		
Background: The Town's internal controls over financial reporting of the Schedule of Expenditures of Federal Awards (SEFA) were not sufficient to ensure that it was presented accurately. The Town did not report expenditures paid related to a federal loan in the SEFA as required. The additional expenditures caused the Town's SEFA 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.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The Town is committed to accurately reporting expenditures and revenues within the required timeframe. Therefore;</i> <ul style="list-style-type: none">• <i>Reporting staff attended training in January 2018, presented by the Washington State Auditor's Office, specifically on reporting Federal Awards.</i>• <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>• <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>		

**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, 2016 through December 31, 2017**

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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated September 12, 2018.

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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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*.

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

September 12, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Coupeville January 1, 2016 through December 31, 2017

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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 12.

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, 2017 and 2016, 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, 2017 and 2016, 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 Schedules 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 September 12, 2018 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

September 12, 2018

FINANCIAL SECTION

Town of Coupeville January 1, 2016 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2017
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2017
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Liabilities – 2016

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	104 Hotel/motel Tax Fund
Beginning Cash and Investments					
30810	Reserved	850,168	-	-	62,448
30880	Unreserved	3,180,731	1,030,999	257,726	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,510,323	1,353,880	-	66,449
320	Licenses and Permits	118,332	118,332	-	-
330	Intergovernmental Revenues	337,683	51,213	284,949	-
340	Charges for Goods and Services	1,509,069	53,006	1,000	-
350	Fines and Penalties	5,390	5,390	-	-
360	Miscellaneous Revenues	75,184	52,091	1,834	412
Total Revenues:		3,555,980	1,633,912	287,783	66,860
Expenditures					
510	General Government	454,736	454,736	-	-
520	Public Safety	406,893	406,893	-	-
530	Utilities	1,033,425	9,900	-	-
540	Transportation	147,084	-	147,084	-
550	Natural and Economic Environment	250,399	195,562	-	54,837
560	Social Services	377	377	-	-
570	Culture and Recreation	155,238	89,455	-	-
Total Expenditures:		2,448,151	1,156,922	147,084	54,837
Excess (Deficiency) Revenues over Expenditures:		1,107,828	476,989	140,699	12,024
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	18,000	-	18,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	9,935	9,935	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		27,935	9,935	18,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	206,329	12,950	90,519	-
591-593, 599	Debt Service	148,990	-	-	-
597	Transfers-Out	18,000	18,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	7,550	7,550	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		380,870	38,500	90,519	-
Increase (Decrease) in Cash and Investments:		754,894	448,424	68,181	12,024
Ending Cash and Investments					
5081000	Reserved	865,451	-	-	74,472
5088000	Unreserved	3,920,341	1,479,424	325,908	-
Total Ending Cash and Investments		4,785,792	1,479,424	325,908	74,472

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, 2017

		105 Capital Improvement Fund	106 Drug Enforcement Fund/dare	107 Harbor Improvements	109 Park Impact Fee Fund
Beginning Cash and Investments					
30810	Reserved	579,251	-	-	66,580
30880	Unreserved	-	1,707	26,702	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	89,994	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,521	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	4,288	12	193	-
Total Revenues:		94,282	12	1,714	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	65,783
Total Expenditures:		-	-	-	65,783
Excess (Deficiency) Revenues over Expenditures:		94,282	12	1,714	(65,783)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	161	-
591-593, 599	Debt Service	25,239	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		25,239	-	161	-
Increase (Decrease) in Cash and Investments:		69,043	12	1,553	(65,783)
Ending Cash and Investments					
5081000	Reserved	648,293	-	-	797
5088000	Unreserved	-	1,719	28,256	-
Total Ending Cash and Investments		648,293	1,719	28,256	797

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		410 Water Utility	420 Utilities Sewer	430 Storm Water Utility
Beginning Cash and Investments				
30810	Reserved	20,315	121,574	-
30880	Unreserved	846,723	594,887	421,987
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	690,622	641,613	122,827
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	8,429	4,924	3,002
Total Revenues:		699,050	646,537	125,829
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	377,637	544,115	101,773
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		377,637	544,115	101,773
Excess (Deficiency) Revenues over Expenditures:		321,414	102,422	24,056
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	66,865	22,680	13,155
591-593, 599	Debt Service	21,867	101,884	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		88,732	124,564	13,155
Increase (Decrease) in Cash and Investments:		232,682	(22,142)	10,901
Ending Cash and Investments				
5081000	Reserved	20,315	121,574	-
5088000	Unreserved	1,079,405	572,744	432,887
Total Ending Cash and Investments		1,099,720	694,318	432,887

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	104 Hotel/motel Tax Fund
Beginning Cash and Investments					
30810	Reserved	767,721	-	-	44,996
30880	Unreserved	2,645,384	877,478	16,802	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	1,418,554	1,295,215	-	61,163
320	Licenses and Permits	81,941	81,941	-	-
330	Intergovernmental Revenues	637,951	28,436	608,001	-
340	Charges for Goods and Services	1,138,136	89,265	-	-
350	Fines and Penalties	10,858	10,858	-	-
360	Miscellaneous Revenues	71,055	42,628	702	207
Total Revenues:		3,358,494	1,548,344	608,703	61,370
Expenditures					
510	General Government	311,331	311,331	-	-
520	Public Safety	651,731	651,731	-	-
530	Utilities	857,254	18,714	-	-
540	Transportation	172,862	-	172,862	-
550	Natural and Economic Environment	283,156	239,239	-	43,917
560	Social Services	499	499	-	-
570	Culture and Recreation	140,264	136,146	-	-
Total Expenditures:		2,417,097	1,357,661	172,862	43,917
Excess (Deficiency) Revenues over Expenditures:		941,398	190,683	435,841	17,453
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	213,055	-	-	-
397	Transfers-In	2,031,116	-	25,630	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	13,986	13,986	-	-
381, 395, 398	Other Resources	65	65	-	-
Total Other Increases in Fund Resources:		2,258,222	14,051	25,630	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	384,999	12,541	220,546	-
591-593, 599	Debt Service	152,668	-	-	-
597	Transfers-Out	2,031,116	25,630	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	13,042	13,042	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,581,825	51,213	220,546	-
Increase (Decrease) in Cash and Investments:		617,795	153,521	240,925	17,453
Ending Cash and Investments					
5081000	Reserved	850,168	-	-	62,448
5088000	Unreserved	3,180,731	1,030,999	257,726	-
Total Ending Cash and Investments		4,030,899	1,030,999	257,726	62,448

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, 2016

		105 Capital Improvement Fund	106 Drug Enforcement Fund/dare	107 Harbor Improvements	109 Park Impact Fee Fund
Beginning Cash and Investments					
30810	Reserved	558,916	-	-	64,576
30880	Unreserved	-	1,700	25,085	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	62,175	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	1,514	-
340	Charges for Goods and Services	-	-	-	1,740
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,193	7	106	264
Total Revenues:		64,368	7	1,620	2,004
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	4,114	-	3	-
Total Expenditures:		4,114	-	3	-
Excess (Deficiency) Revenues over Expenditures:		60,254	7	1,617	2,004
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	39,918	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		39,918	-	-	-
Increase (Decrease) in Cash and Investments:		20,336	7	1,617	2,004
Ending Cash and Investments					
5081000	Reserved	579,251	-	-	66,580
5088000	Unreserved	-	1,707	26,702	-
Total Ending Cash and Investments		579,251	1,707	26,702	66,580

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		401 Utility Fund	410 Water Utility	420 Sewer Utility	430 Storm Water Utility
Beginning Cash and Investments					
30810	Reserved	99,234	-	-	-
30880	Unreserved	1,724,319	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	1,047,130	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	24,949	-	-	-
Total Revenues:		1,072,079	-	-	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	838,540	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		838,540	-	-	-
Excess (Deficiency) Revenues over Expenditures:		233,539	-	-	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	213,055	-	-	-
397	Transfers-In	-	867,038	716,461	421,987
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		213,055	867,038	716,461	421,987
Other Decreases in Fund Resources					
594-595	Capital Expenditures	151,912	-	-	-
591-593, 599	Debt Service	112,750	-	-	-
597	Transfers-Out	2,005,486	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,270,147	-	-	-
Increase (Decrease) in Cash and Investments:		(1,823,554)	867,038	716,461	421,987
Ending Cash and Investments					
5081000	Reserved	-	20,315	121,574	-
5088000	Unreserved	-	846,723	594,887	421,987
Total Ending Cash and Investments		-	867,038	716,461	421,987

Town of Coupeville
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

		Total for All Funds (Memo Only)	Private-Purpose Trust	Agency
308	Beginning Cash and Investments	8,042	6,737	1,305
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	3,015	48	2,967
510-590	Deductions	3,408	-	3,408
	Net Increase (Decrease) in Cash and Investments:	(393)	48	(441)
508	Ending Cash and Investments	7,649	6,785	864

Town of Coupeville
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	Private-Purpose Trust	Agency
308	Beginning Cash and Investments	6,713	6,713	-
388 & 588	Prior Period Adjustment, Net	-	-	-
310-390	Additions	1,904	25	1,880
510-590	Deductions	575	-	575
	Net Increase (Decrease) in Cash and Investments:	1,329	25	1,305
508	Ending Cash and Investments	8,042	6,737	1,305

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2017

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 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 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	Actual Expenditures	Variance
001 - General Fund	1,759,033	1,327,633	431,400
101 - Street Fund	509,682	237,602	272,080
104 – Hotel/Motel Tax	62,480	54,837	7,643
105 – Capital	785,650	25,239	760,411
106 - Drug Enforcement	1,705	0	1,705
107 - Harbor	28,278	161	28,117
109 - Park Impact Fee	66,396	65,783	613
410 – Water Utility	828,703	466,369	362,334
420 – Sewer Utility	677,236	668,680	8,556
430 – Storm Water Utility	263,852	114,929	148,923
621 - Community	7,718	0	7,718
631 - Cafeteria Fund	6,005	3,408	2,597

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

See Note 2, *Deposits and Investments*

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1000 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. 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 (\$74,472)
- CIP/REET Fund – restricted by RCW 82.46.030 (\$648,293)
- Park Impact Fund – restricted by RCW 82.02.050-090 (\$798)
- Water Debt reserves – per loan covenants (\$20,315)
- Sewer Debt reserves – per loan covenants (\$121,574)

Note 2 – 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, 2017 are as follows:

Type of Investment	Balance
Local Government Investment Pool (LGIP)	\$ 3,164,446
Total Investments	\$ 3,164,446

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/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 2017 was \$1.39 per \$1,000 on an assessed valuation of \$270,944,752 for a total regular levy of \$376,188.

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, 2017.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 138,907	\$ 27,756	\$ 166,664
2019	\$ 128,982	\$ 24,798	\$ 153,780
2020	\$ 119,790	\$ 23,347	\$ 143,138
2021	\$ 120,625	\$ 22,513	\$ 143,138
2022	\$ 121,486	\$ 21,652	\$ 143,138
2023-2027	\$ 479,412	\$ 107,814	\$ 587,226
TOTALS	<u>\$ 1,109,202</u>	<u>\$ 227,881</u>	<u>\$1,337,082</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.

At June 30, 2017 (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	0.005142%	\$243,992
PERS 2/3	0.006614%	\$229,805

Note 6 – 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 161 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, 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, reinsurance and other 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.

Note 7 - 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 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.

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2016

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:

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- 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	Actual Expenditures	Variance
001 - General Fund	1,778,022	1,558,307	219,715
101 - Street Fund	625,315	393,408	231,907
104 – Hotel/Motel Tax	55,680	43,917	11,763
105 – Capital	179,239	44,032	135,207
106 - Drug Enforcement	1,705	0	1,705
107 - Harbor	26,796	3	26,793
109 - Park Impact Fee	62,896	0	62,896
202 - 1979 Water &	5,300	4,863	437
212 – DOE – WWTP	92,824	92,823	1
303 – Water Capital	615,015	34,684	580,331
304 – Sewer Capital	453,750	113,788	339,962
401 - Utility Fund	1,107,044	857,045	249,999
621 - Community	7,718	0	7,718
631 - Cafeteria Fund	6,000	575	5,425

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. 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 168 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence

subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, 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.

I. 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 (\$62,448)
- CIP/REET Fund – restricted by RCW 82.46.030 (\$579,251)
- Park Impact Fund – restricted by RCW 82.02.050-090 (\$66,580)
- Water/Sewer Debt reserves – per loan covenants (\$141,889)

Note 2 – 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, 2016 are as follows:

Type of Investment	Balance
Local Government Investment Pool (LGIP)	\$ 3,345,462
Total Investments	\$ 3,345,462

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/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 2016 was \$1.47 per \$1,000 on an assessed valuation of \$251,271,427 for a total regular levy of \$368,636.

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, 2016.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 124,920	\$ 18,798	\$ 143,718
2018	\$ 128,761	\$ 16,210	\$ 144,971
2019	\$ 119,804	\$ 13,322	\$ 133,126
2020	\$ 121,101	\$ 12,026	\$ 133,126
2021	\$ 107,786	\$ 10,662	\$ 118,448
2022 - 2065	\$ 798,664	\$ 193,025	\$ 991,690
TOTALS	<u>\$ 1,401,035</u>	<u>\$ 264,044</u>	<u>\$ 1,665,079</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.

At June 30, 2016 (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:

	Allocation %	Liability (Asset)
PERS 1 UAAL	.006840%	\$367,340
PERS 2/3	.008922%	\$449,216
LEOFF 1	.000361%	(3,719)

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 – Ordinance 730, which was unanimously approved by Town Council on November 8, 2016, and took effect on December 1, 2016; provided for the creation of separate utility funds (410 – Water, 420 – Sewer, 430 – Storm Water), the transfer of fund balance from existing funds (202 – 1979 W/S Bond, 212 – WWTP Loan, 303 – Capital Improvement Water, 304 – Capital Improvement Sewer, 401 – Utility), and the closure of those funds after transfer. As a result, Schedule 01 includes reporting of those fund balance transfers, which were not specifically authorized during the budget process. Clerk Treasurer Kelly Beech spoke with audit representatives (who were onsite conducting the 2014-2015 audit during the months of November and December 2016) to confirm Ordinance 730 granted the proper authority for the transfers.
- 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.
- The Town's Mayor served her first term in 2016 after the former mayor, who had served for 20 years as both Mayor and Town Administrator, stepped down. The Fiscal Clerk who entered her position on January 1, 2016 (after the long time Fiscal Clerk of over 20 years had retired) left unexpectedly in September 2016 and a new Fiscal Clerk filled the position in November 2016. The Fiscal Clerk is a key position for the Town and while the turnover has not negatively affected the Town's ability to properly report financial information accurately, it is worth noting.
- 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 made required changes to BARS information in our Fiscal software in 2016. Several of the funds had incorrect numbers as defined by BARS within its general ledger. They did not present a management problem, but did present a reporting issue. Activity had already occurred in these funds, and the software does not allow for adjusting fund numbers on existing funds. Therefore, new funds were created per Ordinance 730. For reporting purposes these funds are being properly classified and reported in the financial statements:

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
Schedule of Liabilities
For the Year Ended December 31, 2017**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Debt - OSPC Property	3/1/2020	35,035	-	11,524	23,511
251.11	GO Debt -Ciarolo Property	9/15/2023	67,880	-	5,913	61,967
Total General Obligation Debt/Liabilities:			102,915	-	17,437	85,478
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	1979 W/S Revenue Bond	12/1/2018	12,500	-	5,000	7,500
252.11	2015 USDA Rev Bond	5/1/2055	358,912	-	5,230	353,682
252.11	2017 USDA Rev Bond	6/1/2057	-	609,030	-	609,030
259.12	Compensated Absences		25,792	37,668	22,656	40,804
263.82	2003 DOE - WWTP Loan	4/30/2025	788,996	-	92,823	696,173
264.30	NET Pension Liability		816,556	-	342,759	473,797
263.92	2015 Interim Construction Loan	6/1/2017	609,028	2	609,030	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,611,784	646,700	1,077,498	2,180,986
Total Liabilities:			2,714,699	646,700	1,094,935	2,266,464

**Town of Coupeville
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Debt - OSPC Property	3/1/2020	56,684	-	21,044	35,640
251.11	GO Debt -Ciarolo Property	9/15/2023	73,506	-	5,563	67,943
Total General Obligation Debt/Liabilities:			130,190	-	26,607	103,583
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	1979 W/S Revenue Bond	12/1/2018	17,000	-	4,500	12,500
252.11	2015 USDA Rev Bond	5/1/2055	363,965	-	5,054	358,911
259.12	Compensated Absences		21,016	18,852	14,076	25,792
263.82	2003 DOE - WWTP Loan	4/30/2025	881,819	-	92,823	788,996
263.92	2015 Interim Construction Loan	6/1/2017	395,972	213,055	-	609,027
264.30	Net Pension Liability		469,035	347,521	-	816,556
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,148,807	579,428	116,453	2,611,782
Total Liabilities:			2,278,997	579,428	143,060	2,715,365

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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