

Washington State Auditor's Office
Financial Statements Audit Report

City of Colville
Stevens County

Audit Period
January 1, 2010 through December 31, 2010

Report No. 1006763

Issue Date
November 28, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

November 28, 2011

Mayor and City Council
City of Colville
Colville, Washington

Report on Financial Statements

Please find attached our report on the City of Colville's financial statements.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Stevens County
January 1, 2010 through December 31, 2010**

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

City of Colville
Stevens County
January 1, 2010 through December 31, 2010

Mayor and City Council
City of Colville
Colville, Washington

We have audited the financial statements of the City of Colville, Stevens County, Washington, as of and for the year ended December 31, 2010, and have issued our report thereon dated October 27, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management and the Mayor and City Council. 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, appearing to read "Brian Sonntag", is positioned above the printed name.

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 27, 2011

Independent Auditor's Report on Financial Statements

**City of Colville
Stevens County
January 1, 2010 through December 31, 2010**

Mayor and City Council
City of Colville
Colville, Washington

We have audited the accompanying financial statements of the City of Colville, Stevens County, Washington, for the year ended December 31, 2010. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Colville, for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long Term Liabilities is presented for purposes of

additional analysis as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

October 27, 2011

Financial Section

**City of Colville
Stevens County
January 1, 2010 through December 31, 2010**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2010
Notes to Financial Statements – 2010

SUPPLEMENTAL INFORMATION

Schedule of Long Term Liabilities – 2010

MCAG NO.

0735

STATEMENT C-4

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CITY OF COLVILLE

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		Total for All Funds Total Amount	Fund No. & Title 001 Current Exp Actual Amount	Fund No. & Title 101 Street Actual Amount	Fund No. & Title 103 Art Street Actual Amount
Beginning Cash and Investments:					
308.10	Reserved	836,369	65,956	19,748	-
308.80	Unreserved	6,887,861	994,350	384,265	37,379
388.80 or 588.80	Prior Period Adjustments				
Revenues and Other Sources:					
310	Taxes	3,484,980	2,532,269	952,712	-
320	Licenses and Permits	50,550	50,550	-	-
330	Intergovernmental	1,267,156	131,359	99,385	34,780
340	Charges for Goods and Services	3,472,646	419,669	9,604	-
350	Fines and Penalties	42,566	23,482	-	-
360	Miscellaneous	91,111	56,508	1,397	77
370	Capital Contributions	-	-	-	-
390	Other Financing Sources	311,719	62,635	4,616	-
Total Revenues and Other Financing Sources		8,720,728	3,276,472	1,067,714	34,857
Total Resources		16,444,957	4,336,777	1,471,726	72,236
Operating Expenditures:					
510	General Government	785,053	785,053	-	-
520	Public Safety	1,439,290	1,439,290	-	-
530	Physical Environment	1,712,712	58,636	-	-
540	Transportation	1,110,595	146,958	963,637	-
550	Economic Environment	-	-	-	-
560	Mental and Physical Health	1,306	1,306	-	-
570	Culture and Recreational	441,290	441,290	-	-
Total Operating Expenditures		5,490,246	2,872,533	963,637	-
591-593	Debt Service	613,802	-	42,385	49,507
594-595	Capital Outlay	1,954,548	12,597	22,240	-
Total Expenditures		8,058,596	2,885,130	1,028,262	49,507
597-599	Other Financing Uses	139,977	139,977	-	-
Total Expenditures and Other Financing Uses		8,198,573	3,025,107	1,028,262	49,507
Excess (Deficit) of Resources Over Uses		8,246,384	1,311,670	443,464	22,730
380	Nonrevenues (Except 384)	76,559	40,734	1,411	-
580	Nonexpenditures (Except 584)	974,170	39,214	31,066	-
Ending Cash and Investments:					
508.1	Reserved	661,715	67,144		-
508.8	Unreserved	6,687,060	1,246,046	413,810	22,730

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO.

0735

STATEMENT C-4

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CITY OF COLVILLE

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

BARS CODE		Fund No. & Title 401 Water Actual Amount	Fund Number and Title Actual Amount	Fund Number and Title Actual Amount	Fund Number and Title Actual Amount
Beginning Cash and Investments:					
308.10	Reserved	750,665			
308.80	Unreserved	5,471,867			
388.80 or 588.80	Prior Period Adjustments				
Revenues and Other Sources:					
310	Taxes	0			
320	Licenses and Permits	-			
330	Intergovernmental	1,001,632			
340	Charges for Goods and Services	3,043,373			
350	Fines and Penalties	19,084			
360	Miscellaneous	33,128			
370	Capital Contributions	-			
390	Other Financing Sources	244,468			
Total Revenues and Other Financing Sources		4,341,685			
Total Resources		10,564,217			
Operating Expenditures:					
510	General Government	-			
520	Public Safety	-			
530	Physical Environment	1,654,076			
540	Transportation	-			
550	Economic Environment	-			
560	Mental and Physical Health	-			
570	Culture and Recreational	-			
Total Operating Expenditures		1,654,076			
591-593	Debt Service	521,910			
594-595	Capital Outlay	1,919,711			
Total Expenditures		4,095,697			
597-599	Other Financing Uses	-			
Total Expenditures and Other Financing Uses		4,095,697			
Excess (Deficit) of Resources Over Uses		6,468,520			
380	Nonrevenues (Except 384)	34,414			
580	Nonexpenditures (Except 584)	903,889			
Ending Cash and Investments:					
508.1	Reserved	594,571			
508.8	Unreserved	5,004,474			

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF COLVILLE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2010

	Total for All Funds	Fund No & Title 102 Library		Fund No & Title 106 Fire Cum Res		Fund No & Title 108 Parking & Bus		Fund No & Title 112 Hotel-Motel		Fund No & Title 140 Drug Invest.	
		Total Amount	Actual Amount	Total Amount	Actual Amount	Total Amount	Actual Amount	Total Amount	Actual Amount	Total Amount	Actual Amount
Beginning Cash and Investments		994,588	20,086	134	30,444	129,952	29,344				
Prior Period Adjustments		-									
Revenue and Other Financing Sources		390,763	152,247	-	28,179	77,462	4,754				
Total Resources		1,385,350	172,333	134	58,623	207,414	34,098				
Expenditures And Other Financing Uses		426,003	151,985	134	25,547	72,138	-				
Excess (Deficit) of Resources Over Uses		959,347	20,348	-	33,077	135,276	34,098				
Nonrevenues (Except 384)		562,015	863	-	-	-	-				
Nonexpenditures (Except 584)		565,024	895	-	-	-	154				
Ending Cash and Investments		956,339	20,316	-	33,077	135,276	33,944				

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF COLVILLE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2010

	Fund No & Title 203 LID #99-1	Fund No. & Title 506 FUTA Fund	Fund No & Title 601 Vaagen Mem	Fund No & Title 621 FUTA Fund	Fund No & Title 623 LID Guaranty
	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments	50,821	-	105,621	105,301	14,869
Prior Period Adjustments					
Revenue and Other Financing Sources	16,048	78,217	1,484	13,300	44
Total Resources	66,869	78,217	107,105	118,601	14,913
Expenditures And Other Financing Uses	24,341	3,640	5,823	118,601	259
Excess (Deficit) of Resources Over Uses	42,528	74,577	101,282	(0)	14,654
Nonrevenues (Except 384)	-	-	90	-	-
Nonexpenditures (Except 584)	-	-	90	-	-
Ending Cash and Investments	42,528	74,577	101,282	(0)	14,654

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF COLVILLE
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For The Year Ending December 31, 2010

	Fund No & Title 624 Donation	Fund No & Title 625 Spencer Mem	Fund No & Title 631 Payroll Clrg	Fund No & Title 632 Claims Clg	Fund No & Title 634 FWH Res
	Actual Amount	Actual Amount	Actual Amount	Actual Amount	Actual Amount
Beginning Cash and Investments	34,801	418,178	799	6,168	48,069
Prior Period Adjustments					
Revenue and Other Financing Sources	17,806	1,221	-	-	-
Total Resources	52,607	419,399	799	6,168	48,069
Expenditures And Other Financing Uses	18,587	4,948	-	-	-
Excess (Deficit) of Resources Over Uses	34,020	414,451	799	6,168	48,069
Nonrevenues (Except 384)	-	-	-	-	561,063
Nonexpenditures (Except 584)	-	-	-	-	563,886
Ending Cash and Investments	34,020	414,451	799	6,168	45,246

The Accompanying Notes Are An Integral Part Of This Statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

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

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

Revenues are recognized only when cash is received and expenses are recognized when paid. Purchases of capital assets are expensed during the year of acquisition. There is no allocation of depreciation expenses. Inventory is expensed when purchased.

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

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

Special Revenue Funds

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

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the City of Colville on a cost-reimbursement basis.

FIDUCIARY FUND TYPES:

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

Private-Purpose Trust Funds

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

Agency Funds

These funds are used to account for assets that the City of Colville holds for others in an agency capacity.

b. Basis of Accounting

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

In accordance with state law the City of Colville also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

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

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

c. Budgets

The City of Colville adopts annual appropriated budgets for all funds. Annual appropriated budgets are adopted at the fund level. The budget constitutes the

legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year-end.

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

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

FUND/DEPARTMENT	FINAL APPROP AMTS	ACTUAL EXPENDITURES	VARIANCE
CURRENT EXPENSE FUND	4,149,739	3,064,321	1,085,418
STREET FUND	1,219,953	1,059,328	160,625
LIBRARY FUND	160,140	152,880	7,260
ARTERIAL STREET FUND	77,750	49,507	28,243
FIRE DEPT CUM RES FUND	134	134	0
PARKING/BUSINESS FUND	55,101	25,547	29,554
HOTEL/MOTEL FUND	206,170	72,138	134,032
DRUG INVEST FUND	29,580	154	29,426
GO DEBT FUND	50,715	49,507	1,208
LID #99-1 FUND	62,209	24,341	37,868
WATER/SEWER FUND	10,071,058	4,999,587	5,071,471
USDA RESERVE FUND	445,000	0	445,000
FUTA FUND	68,726	3,640	65,086
DEAN VAAGEN FUND	107,531	5,913	101,618
FUTA FUND	118,601	118,601	0
LID GUARANTY FUND	11,100	259	10,841
DONATION FUND	55,200	18,587	36,613
SPENCER FUND	420,646	4,948	415,698

The City Clerk and the City Treasurer are authorized to transfer budgeted amounts between departments within any fund and 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 city's legislative body.

d. Cash

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

e. Deposits

The City of Colville deposits and certificates of deposit are covered by the Federal Deposit insurance Corporation (FDIC) and/or the Washington Public Deposit Protection Commission (PDPC).

f. Investments See Note No. 3

g. Capital Assets

Capital assets are long-lived assets of the City of Colville and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 800 hours annually. Upon separation or retirement employees do not receive payment for unused sick leave.

i. Long-Term Liabilities See Note No. 6

j. Other Financing Sources or Uses

The City of Colville's "Other Financing Sources and Uses" consist of:

Interfund Transactions:

- Transactions that would be treated as revenues, expenditures, or expenses if they involve external organizations, such as buying goods and services or payments instead of taxes, are similarly treated when they involve other funds of the City of Colville.
- Transfers to support the operations of other funds.
- Contributions to the capital of enterprise funds, transfers to establish or reduce working capital in other funds, and transfers of remaining balances when funds are closed are classified as residual equity transfers and reported as direct additions to or deductions from fund equity.
- Proceeds from financing activities to include capital leases
- Proceeds from sale of assets

k. Risk Management

The City maintains insurance against most normal hazards except for unemployment insurance where it has elected to become self-insured.

The Washington State Employment Security Department processes unemployment claims. Based on a historical average of claims, the City's estimated liability for probable losses for unemployment compensation at December 31, 2010 was \$31,315.

The FUTA Fund, from which unemployment claims are paid, has a balance of \$74,577 in the fund as of December 31, 2010. This fund is responsible for collecting inter-fund premiums from insured funds and departments for reimbursement of claim settlements to the Washington State Employment Security Department. Interfund premiums are based on .01% of the gross wages of each department and included in the payroll expenses of the insured funds.

The City of Colville is a member of the Cities Insurance Association of Washington.

Chapter 48.62 RCW authorizes the governing body of any one or more governmental Entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2010, the CIAW had 88 regular members and 180 associate members. Effective September 1, 2010, all members of the CIAW are full members.

The pool provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive and collision, equipment breakdown and crime prevention, and liability, including general, automobile and wrongful acts, are included to fit members' various needs.

The pool acquires liability insurance through Munich Reinsurance America that is subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. The insurance carrier cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool also purchases a Stop Loss Policy in the amount of \$3,200,000 to cap the total claims by the pool in any one year.

Property insurance is subject to a per-occurrence deductible amount of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000.

Boiler and machinery insurance is subject to a per-occurrence deductible amount of \$2,500. Members are responsible for the deductible amount of each claim.

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

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the pool. The pool has no employees, but has contracted with a third-party administrator, Canfield, to perform the daily administration of the pool, including account education, risk management and loss control, and claims administration.

I. Reserved Fund Balance

FUND	AMOUNT	DESCRIPTION
CURRENT EXPENSE FUND		
DARE	1,771	Donation to TEAM(To Educate & Motivate)for school resource officers Hudesman project bond-project still not complete. Remaining bond deposit.
RESTRICTED FOR DEPOSIT	45,000	
POLICE CONF/FORFEITURE	173	This was a cash confiscation/forfeiture. Restricted spending.
POLICE CRIMINAL JUSTICE	20,200	This is carry forward from Criminal Justice funds rec'd for restricted spending.
TOTAL CURRENT EXPENSE	67,144	
HOTEL/MOTEL FUND		
CAPITAL PROJ RESERVE	86,471	10% of total revenues per yr go into this line per Resolution
TOTAL HOTEL/MOTEL	86,471	
WATER/SEWER FUND		
DEBT RESERVE	594,571	Per Bond/Loan restrictions
TOTAL WATER/SEWER	594,571	
DEAN VAAGEN MEMORIAL		
RESTRICTED RESERVES	100,000	These funds are restricted per will. Ord. 915 & Ord. 1126
TOTAL D. VAAGEN MEM	100,000	
DONATION FUND		
PARKS DEPT RESERVE	19,618	Tree replacement donation; Rotary donation; Vaagen equip donation; Gilbert Will donation
LIBRARY RESERVE	647	Gilbert donation per Will and reserves per donation
TOTAL DONATION FUND	20,265	
SPENCER MEMORIAL FUND		
RESTRICTED RESERVE	358,699	These funds are restricted for use by Will. Ord 995
TOTAL SPENCER MEM	358,699	

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Schedule 11 ending balance total of -\$62,334 includes all checks issued in the ASP system. These are in the form of checks not warrants and have already been included in the ASP cash out totals. The total outstanding checks were \$328,228.84 at 12/31/10. The open period check total issued was \$234,029 of the \$328,228.84. These checks had not cleared the bank as they were issued in January 2011 for the open period of 2010. A breakdown is on file in the Treasurer's office.

NOTE 3 - INVESTMENTS

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

Investments by type at December 31, 2010 are as follows:

<u>Type of Investment</u>	<u>City of Colville's own investments</u>	<u>Total</u>
L.G.I.P.	<u>8,366,647</u>	<u>8,366,647</u>
Total	8,366,647	8,366,647

NOTE 4 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

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

The City's regular levy for the year 2010 was \$2.554207 per \$1,000, with an actual assessed proper evaluation of \$380,121,841 for a total regular levy of \$970,909.98.

NOTE 5 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2010:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2010</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2010</u>
Street Fund	Water/Sewer	\$ <u>30,000</u>	\$ _____	\$ <u>30,000</u>	\$ <u>0</u>
	TOTALS	\$ <u>30,000</u>	\$ _____	\$ <u>30,000</u>	\$ <u>0</u>

NOTE 6 – LONG-TERM LIABILITIES

The accompanying Schedule of Long Term Liabilities (09) provides a listing of the outstanding debt of the City of Colville and summarizes the City's debt transactions for 2010. The debt service requirements, including interest, are as follows:

Year	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2010	97,434	1,156,901	24,160	1,278,495
2011	105,702	1,253,504	23,150	1,382,356
2012	74,933	1,252,311	22,120	1,349,363
2013	74,703	1,244,736	21,070	1,340,509
2014	74,472	1,241,465		1,315,937
2015-2019	368,908	4,732,961		5,101,870
2020-2024	363,152	2,779,837		3,142,988
2025-2029	77,661	2,177,934		2,255,595
2030-2034		749,000		749,000
2035-2039		749,000		749,000
2040-2044		698,546		698,546
2045-2049		298,038		298,038
Totals	1,236,964	18,334,233	90,500	19,661,697

NOTE 7 – PENSION PLANS

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

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380.

NOTE 8 - OTHER DISCLOSURES & SUBSEQUENT EVENTS

- The reported 2010 ending cash and investment totals on the Statement C-4 for Current Expense #001, Library #102 and Water/Sewer #401 reflect a petty cash amount deducted for each of the funds in the 2010 beginning net cash and investments totals. The difference is as follows:

#001 Current Expense Fund - \$350.00, #102 Library Fund - \$ 50.00, #401 Water/Sewer Fund - \$400.00
- In 1999 the City of Colville entered into an agreement with CERB (Community Economic Revitalization Board) and Vaagen's to complete a water project along Highway 395 at the cost of \$ 167,649.00. These funds are paid to the City each year in the sum of \$11,176 for a period of 20 years at a 0% rate.
- The City of Colville entered into an agreement with CERB (Community Economic Revitalization Board), David Hewes and Stephen Bowman to complete a water and sewer project along Highway 395 at the combined and total cost of \$381,000.00. These funds will be paid to the City by D. Hewes and S. Bowman over a 20 year period at a 1.0% rate. These payments will start in 1/2011.
- Note 1.c. – Two funds had a substantial variance balance in 2010. The Current Expense and the Water Fund. There were several departments in Current Expense that did not spend what had been allocated in the budget. A list of those department amounts will be on file in the Treasurer's office for review. The Water Fund had three areas that were not spent as allocated and they were as follows: Capital Outlay \$152,000, Debt Payments \$171,100 and the 2009 Reservoir \$609,300. An explanation on these will also be on file in the Treasurer's office for review.
- Note 1.l. - The reserved fund balances for beginning and ending have been changed on the submitted annual report to reflect the actual reserved balances from the unreserved balances. The actual BARS numbers will be changed during the 2012 budget period to reflect the correct balances that are restricted either by ordinance or resolution.

OPEB

The City of Colville has a commitment to pay for post employment benefits for employees that belong to LEOFF 1. These benefits include medical and dental. Two retirees received benefits during the year and \$24,974.56 was paid out for those benefits during the year.

SUBSEQUENT EVENTS

- Fund #401 – Upper Zone Reservoir and Transmission Mains Project was bid and awarded to Lydig Construction in the amount of \$1,167,137.20. This was for a cast in place reservoir. The total project cost for the new reservoir is \$3,418,000.00 with \$750,000.00 from the Water/Sewer Fund and the remaining a DWSRF Loan in the amount of \$2,668,000.00. This project is still ongoing as of December 31, 2010.
- Fund #401 – At the March 23, 2010 City Council meeting the Council approved Refunding the Water and Sewer Revenue Bonds, Series 1997. These will be known as the Water & Sewer Revenue Refunding Bonds, Series 2010 NR BQ. The amount of the refunding was \$2,035,000.00. The interest rate was substantially lower which allowed the City to refund a lesser amount of \$2,035,000.00 than the original \$2,045,000.00.

CITY OF COLVILLE
SCHEDULE OF LONG TERM LIABILITIES
For the Year Ended December 31, 2010

ID. No.	Date of Issuance & Description	Beginning Balance 01/01/2010	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance Debt 12/31/2010
263.51	9/1/00 - Installment Sales-Contract - Cox	5,542	-	5,542	591.42.75.00	-
263.81	6/4/91 - PWTF #3(PW-5-91-280-019)	79,972	-	39,986	591.42.77.00	39,986
263.81	8/13/04 - PWTF #4 (PW-04-691-PRE121)	690,789	-	46,053	591.95.78.16	644,737
252.11	4/6/10 - (W/S 1997-Refunded)Series 2010 NR BQ Water/Sewer *	2,035,000	-	255,000	582.35.72.01	1,780,000
252.11	6/27/03 - Sewer 2003 Revenue Bonds	869,995	-	11,304	582.35.72.00	858,691
252.11	1/23/07 - Sewer 2007A Revenue Bonds	1,065,355	-	12,058	582.35.78.30	1,053,297
252.11	1/23/07 - Sewer 2007B Revenue Bonds	824,486	-	9,332	582.35.78.28	815,154
263.82	6/1/96 - PWTF #1 (PW5-96-791-010) Sewer	2,018,735	-	252,342	582.35.78.01	1,766,393
263.82	6/1/96 - PWTF #2 (PW5-96-791-011) Water	305,593	-	43,656	582.34.78.00	261,937
263.82	9/6/96 - Basin C/Storm Water #9700018	63,399	-	6,796	582.35.78.00	56,603
263.82	12/1/95 - Headworks/Clean Water #L9600007	240,285	-	25,292	582.35.78.00	214,994
263.82	11/01/07 - SRF/MWTF-#L0500001	5,169,231	-	287,179	582.35.78.31	4,882,052
263.82	3/3/09 - #DM09-952-035 Water/Upper Zone	-	2,093,305	-	-	2,093,305
263.92	3/7/05 - Misc Debt-Street Burnett Property	21,398	-	21,398	581.20.79.38	(0)
253.11	1/24/03 - Special Assessment-LID #99-1	80,000	-	20,000	591.45.79.00	60,000
259.11	Compensated Absences - Current Expense **	-	158,880	74,525	-	84,355
259.11	Compensated Absences - Street **	-	50,413	26,031	-	24,382
259.11	Compensated Absences - Library **	-	8,170	3,022	-	5,147
259.12	Compensated Absences - Water/Sewer **	-	72,305	37,910	-	34,395
263.82	CERB Loan Project #2005-171 Bowman ***	331,000	-	-	-	331,000
263.82	CERB Loan Project #2005-171 Hewes ***	50,000	-	-	-	50,000
263.81	CERB Loan Project #1993-093 Vaagen ***	100,589	-	11,177	-	89,412
		13,951,370	2,383,072	1,188,603		15,145,838

* The ending balance from 2009 was \$2,045,000. These bonds were refunded in 2010 and were issued at a lesser principal amount because of the lower interest from the earlier bonds.

**These are the totals for just vacation and compensated leave. We have used reports from the City Clerk to get the individual totals, additions & subtractions for each fund.

*** These three loans are paid by the owners. If payment is not made then the city is responsible for making sure the payment is made.



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Performance Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
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