



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Town of Coulee Dam

Okanogan County

For the period January 1, 2015 through December 31, 2016

Published February 15, 2018

Report No. 1020667





Office of the Washington State Auditor
Pat McCarthy

February 15, 2018

Mayor and Town Council
Town of Coulee Dam
Coulee Dam, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style.

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Town of Coulee Dam Okanogan County January 1, 2015 through December 31, 2016

2016-001 The Town's internal controls over the completeness and accuracy of its financial statements were not adequate to ensure it accurately reported its pension liability.

Background

Management is responsible for designing, implementing and maintaining internal controls adequate to provide reasonable assurance regarding reliability of financial reporting. The Town prepares its financial statements in accordance with the cash basis accounting method as prescribed by the State Auditor's Office *Budgeting, Accounting and Reporting System Manual* (BARS Manual).

Starting with fiscal year 2015, the BARS Manual required cash-basis governments to report pension-related liabilities. While the Town pays into the statewide pension plan based on established rates, the Town nonetheless must report a portion of the collective funding shortfall in the statewide pension plan.

Our audit identified a deficiency in controls over financial statement reporting that hindered the Town's ability to produce reliable financial statements.

This deficiency represents a material weakness in controls over financial reporting.

Description of Condition

Management's process for identifying new BARS Manual accounting and reporting requirements is not consistently effective at applying required changes to the Town's financial statements.

Cause of Condition

The Town's Clerk attended recent BARS workshops offered by the State Auditor's Office. However, she overlooked the overview of significant changes in the 2015 BARS Manual and therefore was unaware of the requirement to report the Town's pension liabilities.

Effect of Condition

Ineffective controls increase the likelihood that errors will not be prevented or detected and corrected promptly and could hinder the availability of accurate financial information to Town Council, management, regulatory agencies and other users of the financial statements for decision-making and monitoring.

As a result of the deficiency above, the Town did not implement BARS Manual requirements for reporting pension liabilities and its Schedule of Liabilities omitted net pension liabilities of \$350,564 and \$399,368 in fiscal years 2015 and 2016, respectively. Additionally, the notes to the financial statements did not contain required pension disclosures.

Recommendation

We recommend the Town give staff adequate time and training to understand and implement BARS Manual reporting requirements.

Town's Response

The Clerk acknowledges that the BARS update pertaining the State Pension Plan reporting was overlooked but also feels that the Auditor's Office did not give a significant amount of notification of the change especially due to the severity of the type of reporting it would result in. The Clerk promptly made the corrections once brought to her attention. The Town feels that the liability of the pension plan should not lie on the Town since it is the Washington State Department of Retirement Systems liability and all figures have to be obtained from them in order for the Town to report it. A finding seems like a harsh level of reporting for a liability that isn't truly the Town's liability. The Town feels strongly that this is something that could and should more appropriately be included in a Management letter.

Auditor's Remarks

State law assigns management the responsibility of preparing the Town's financial statements in accordance with BARS Manual requirements.

The BARS Manual provides directions for calculating the Town's proportionate share of the PERS 1 and PERS 2/3 net pension liability, including an illustration, instructional video, and a template of related note disclosures. The Auditor's Office also operates a HelpDesk service for government officials to seek guidance and clarification on a number of auditing issues, including reporting requirements.

While we understand the Town's desire to avoid a finding, Government Auditing Standards define significant deficiencies and material weaknesses in internal controls.

We appreciate the Town's prompt correction of this issue, as well as its assistance and cooperation during the audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The *Budgeting, Accounting and Reporting System* (BARS) Manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

**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 Coulee Dam
Okanogan County
January 1, 2015 through December 31, 2016**

Mayor and Town Council
Town of Coulee Dam
Coulee Dam, 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 Coulee Dam, Okanogan County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated January 8, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's

internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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

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

TOWN'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

January 8, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Coulee Dam Okanogan County January 1, 2015 through December 31, 2016

Mayor and Town Council
Town of Coulee Dam
Coulee Dam, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Coulee Dam, Okanogan County, Washington, for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 13.

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 Coulee Dam 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 Coulee Dam, for the years ended December 31, 2016 and 2015, 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 Coulee Dam, as of December 31, 2016 and

2015, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

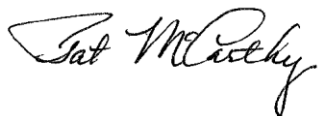
Other Matters

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 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.



Pat McCarthy

State Auditor

Olympia, WA

January 8, 2018

FINANCIAL SECTION

**Town of Coulee Dam
Okanogan County
January 1, 2015 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016
Schedule of Liabilities – 2015

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

		Total for All Funds (Memo Only)	001 Current Expense	107 Stadium Fund	301 Realty Excise TX Fund Restricted
Beginning Cash and Investments					
30810	Reserved	276,704	-	73,850	131,364
30880	Unreserved	2,458,138	689,479	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	492,227	442,891	37,821	11,515
320	Licenses and Permits	6,770	6,770	-	-
330	Intergovernmental Revenues	101,680	101,680	-	-
340	Charges for Goods and Services	2,096,143	8,062	-	-
350	Fines and Penalties	25,280	1,214	-	-
360	Miscellaneous Revenues	86,792	73,461	324	670
Total Revenues:		2,808,892	634,078	38,145	12,185
Expenditures					
510	General Government	118,351	118,351	-	-
520	Public Safety	348,661	348,661	-	-
530	Utilities	1,951,000	-	-	-
540	Transportation	163,296	163,296	-	-
550	Natural and Economic Environment	36,527	9,582	26,945	-
560	Social Services	291	291	-	-
570	Culture and Recreation	51,870	35,608	16,262	-
Total Expenditures:		2,669,996	675,789	43,207	-
Excess (Deficiency) Revenues over Expenditures:		138,896	(41,711)	(5,062)	12,185
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	955	955	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	4,050	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		5,005	955	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	498,438	16,030	-	-
591-593, 599	Debt Service	112,441	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	4,050	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		614,929	16,030	-	-
Increase (Decrease) in Cash and Investments:		(471,028)	(56,786)	(5,062)	12,185
Ending Cash and Investments					
5081000	Reserved	283,827	-	68,788	143,549
5088000	Unreserved	1,979,988	632,693	-	-
Total Ending Cash and Investments		2,263,814	632,693	68,788	143,549

The accompanying notes are an integral part of this statement.

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

		401 Electric Fund	410 Water Fund	420 WWTP Department Fund	430 Solid Waste Fund
Beginning Cash and Investments					
30810	Reserved	-	71,490	-	-
30880	Unreserved	808,361	461,631	391,833	106,833
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	820,322	439,899	565,407	262,452
350	Fines and Penalties	24,066	-	-	-
360	Miscellaneous Revenues	6,687	2,612	2,428	610
Total Revenues:		851,076	442,511	567,835	263,062
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	969,681	303,446	436,231	241,642
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		969,681	303,446	436,231	241,642
Excess (Deficiency) Revenues over Expenditures:		(118,606)	139,065	131,604	21,420
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	2,700	1,350	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		2,700	1,350	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	782	782	480,063	782
591-593, 599	Debt Service	-	101,821	10,619	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	2,700	1,350	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,482	103,953	490,682	782
Increase (Decrease) in Cash and Investments:		(119,388)	36,462	(359,078)	20,638
Ending Cash and Investments					
5081000	Reserved	-	71,490	-	-
5088000	Unreserved	688,974	498,093	32,756	127,472
Total Ending Cash and Investments		688,974	569,583	32,756	127,472

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

		Total for All Funds (Memo Only)	001 Current Expense	107 Stadium Fund	301 Realty Excise TX Fund Restricted
Beginning Cash and Investments					
30810	Reserved	285,466	-	89,001	124,975
30880	Unreserved	2,986,296	1,025,383	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	483,583	440,692	36,841	6,049
320	Licenses and Permits	9,859	9,859	-	-
330	Intergovernmental Revenues	106,860	106,860	-	-
340	Charges for Goods and Services	2,071,184	34,944	-	-
350	Fines and Penalties	25,549	1,990	-	-
360	Miscellaneous Revenues	88,583	76,374	212	341
Total Operating Revenues:		2,785,617	670,720	37,053	6,390
Operating Expenditures					
510	General Government	146,780	146,780	-	-
520	Public Safety	470,185	470,185	-	-
530	Utilities	1,928,332	-	-	-
540	Transportation	108,382	108,382	-	-
550	Natural and Economic Environment	61,284	24,673	36,611	-
560	Social Services	179	179	-	-
570	Culture and Recreation	58,493	45,866	12,627	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		2,773,637	796,066	49,238	-
Net Operating Increase (Decrease):		11,982	(125,345)	(12,185)	6,390
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	3,110	35	-	-
391-393	Debt Proceeds	146,703	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		149,813	35	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	3,150	-	-	-
591-593	Debt Service	102,378	-	-	-
594-595	Capital Expenditures	593,185	210,592	2,967	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		698,713	210,592	2,967	-
Net Increase (Decrease) in Cash and Investments:		(536,918)	(335,903)	(15,152)	6,390
Ending Cash and Investments					
5081000	Reserved	276,704	-	73,850	131,364
5088000	Unreserved	2,458,138	689,479	-	-
Total Ending Cash and Investments		2,734,842	689,479	73,850	131,364

The accompanying notes are an integral part of this statement.

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

		401 Electric Fund	410 Water Fund	420 WWTP Department Fund	430 Solid Waste Fund
Beginning Cash and Investments					
30810	Reserved	-	71,490	-	-
30880	Unreserved	1,122,290	460,951	292,439	85,232
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	825,651	399,595	556,181	254,813
350	Fines and Penalties	23,559	-	-	-
360	Miscellaneous Revenues	9,120	1,414	833	288
Total Operating Revenues:		858,330	401,010	557,015	255,100
Operating Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	973,588	295,608	425,637	233,499
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		973,588	295,608	425,637	233,499
Net Operating Increase (Decrease):		(115,258)	105,402	131,378	21,601
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	2,100	975	-	-
391-393	Debt Proceeds	-	-	146,703	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		2,100	975	146,703	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	2,100	1,050	-	-
591-593	Debt Service	-	102,378	-	-
594-595	Capital Expenditures	198,670	2,269	178,687	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		200,770	105,697	178,687	-
Net Increase (Decrease) in Cash and Investments:		(313,928)	680	99,394	21,601
Ending Cash and Investments					
5081000	Reserved	-	71,490	-	-
5088000	Unreserved	808,361	461,631	391,833	106,833
Total Ending Cash and Investments		808,361	533,121	391,833	106,833

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	State Suspense Funds
308	Beginning Cash and Investments	955	955
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	7,086	7,086
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	7,796	7,796
	Net Increase (Decrease) in Cash and Investments:	(710)	(710)
508	Ending Cash and Investments	245	245

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	State Suspense Funds
308	Beginning Cash and Investments	955	955
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	7,126	7,126
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	7,126	7,126
	Net Increase (Decrease) in Cash and Investments:	-	-
508	Ending Cash and Investments	955	955

The accompanying notes are an integral part of this statement.

TOWN OF COULEE DAM

Notes to the Financial Statements

January 1, 2016 to December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The Town of Coulee Dam was incorporated on February 26, 1959 and operates under the laws of the state of Washington applicable to towns with a mayor-council form of government. The town is a general-purpose government and provides public safety, street maintenance/improvement, parks and recreation, health and social services, general administrative services, electric, water and sewer services.

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

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the Town of Coulee Dam. 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 legally restricted or committed to expenditures for specified purposes of the Town of Coulee Dam.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

b. Basis of Accounting

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 Coulee Dam also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Budgets

The Town of Coulee Dam adopts annual appropriated budgets for General, Criminal Justice, Fire Equipment Reserve, Public Safety Reserve General Municipal, Street, Street Reserve, Stadium, Realty Excise Tax, Electric, Electric Reserve, Water, Water Reserve, Wastewater, Wastewater Reserve and Solid Waste 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:

	Final Appropriated	Actual	
Fund/Department	Amounts	Expenditures	Variance
Current Expense Fund	\$ 654,479	\$ 524,422	\$ 130,057
Criminal Justice Reserve	\$ 2,000	\$ 2,000	\$ -
Fire Equipment Reserve	\$ 66,650	\$ -	\$ 66,650
Street Fund	\$ 289,698	\$ 165,372	\$ 124,326
Stadium (Hotel/Motel) Fund	\$ 50,255	\$ 43,207	\$ 7,048
Realty Excise Tax Fund	\$ -	\$ -	\$ -
Electric Fund	\$ 1,203,362	\$ 1,020,463	\$ 182,899
Water Fund	\$ 455,368	\$ 416,049	\$ 39,319
Water Reserve Fund	\$ -	\$ -	\$ -
WWTP Fund	\$ 6,952,050	\$ 936,913	\$ 6,015,137
Solid Waste Fund	\$ 246,050	\$ 242,424	\$ 3,626
Total	\$ 9,919,912	\$ 3,350,849	\$ 6,569,063

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 Coulee Dam legislative body.

d. Cash

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

e. Deposits

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

f. Investments

See Note 2

g. Capital Assets

Capital assets are assets with an individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. The Capital assets of the Town of Coulee Dam 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 a maximum of 150 days, (1200 hours for full time employees and 900 hours for regular part time employees). Upon separation or retirement employees will be compensated twenty five percent (25%) cash out based on the following schedule:

2 - 5 years employment	320 hours
5 - 15 years employment	520 hours
15 -25 years employment	600 hours
25 years or more employment	750 hours

i. Long-Term Debt

See Note 4

j. Other Financing Sources or Uses

The Town of Coulee Dam “Other Financing Sources or Uses” consist of Debt service.

k. Risk Management

The Town of Coulee Dam is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program 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 December 1, 2016, there are 205 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members’ various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with **the exception of Wrongful Acts and Law Enforcement Liability which have a self-insured retention of \$25,000.** The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the

program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$1,718,302.**

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of **Pumps & Motors, which is \$10,000.** Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program 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 program. The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending **December 1, 2016, were \$1,484,482.16.**

1. Reserved Fund Balance

The Town of Coulee Dam as of December 31, 2016 has the following fund balances, which are restricted reserve balances as per external or internal restrictions.

The Stadium Fund (107) Restricted Balances are based on RCW 67.28 Public Stadium, Convention, Arts, and Tourism Facilities. These funds must be used for tourism related expenditures.

The Reality Excise Tax Fund (301) Restricted Balances are based on RCW 82.45 Excise Tax on Real Estate Sales. These funds must be used for capital improvements as adopted in the Town of Coulee Dam's Comprehensive Plan

The Water Fund (410) Restricted Balance is as per the Town of Coulee Dam's USDA RD Letter of Conditions for Loans 91-01 & 91-03 under section of Reserve Account. The amount is for a debt reserve of an annual loan installment per year. This amount must be maintained until Loans are paid off in 2043.

m. Health & Welfare

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

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

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or

towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Note 2 - Investments

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

Investments are presented at cost.

Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$ 1,534,263.58
Time Value Investments – Bonds	\$ 596,170.87
Total	\$ 2,130,434.45

Note 3 - Property Taxes

The three (3) county treasurer acts as agents to collect property taxes levied in Grant, Douglas, and Okanogan counties for all taxing authorities. Collections are distributed after the end of each month.

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

The Town's regular levy for 2016 was \$2.298035 per \$1,000 for each of the three counties, which are as follows:

County	Assessed Valuation	Levy Rate	Levied Amount
Grant County	1,106,925	2.274324	\$ 2,518.00
Douglas County	13,775,523	2.274324	\$ 31,330.00
Okanogan County	<u>36,479,179</u>	2.274324	<u>\$ 82,965.00</u>
Total	51,361,627		\$116,813.00

Note 4 - Long-Term Debt

The accompanying Schedule of Long-Term Debt (09) provides more details of the outstanding debt and liabilities of the Town of Coulee Dam and summarizes the Town's debt transactions for year ended December 31, 2016. The debt service requirements for general obligation bonds, revenue bonds and loans including both principle and interest are as follows:

Note 4					
		Principal		Interest	Total
2017		\$ 63,889.98		\$ 58,334.75	\$ 122,224.73
2018		\$ 65,228.15		\$ 56,161.59	\$ 121,389.74
2019		\$ 38,784.61		\$ 53,936.85	\$ 92,721.46
2020		\$ 40,227.97		\$ 52,493.49	\$ 92,721.46
2021		\$ 41,727.05		\$ 50,994.41	\$ 92,721.46
2022-2026		\$ 233,232.79		\$ 230,374.51	\$ 463,607.30
2027-2031		\$ 280,457.08		\$ 183,150.22	\$ 463,607.30
2032-2036		\$ 316,251.99		\$ 126,116.96	\$ 442,368.95
2037-2041		\$ 290,920.08		\$ 66,494.92	\$ 357,415.00
2042-2043		\$ 134,413.18		\$ 8,552.82	\$ 142,966.00
TOTALS		\$ 1,505,132.88		\$ 886,610.52	\$ 2,391,743.40

Note 5 - Pension Plans

Substantially all Town of Coulee Dam full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans PERS & LEOFF. Actuarial information is on a system-wide basis and is not considered pertinent to the Town of Coulee Dam financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan. Employees have the option of participating in the State of Washington Deferred Compensation Pension Plan, over and above the above listed pension plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Dept. 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.

The Town of Coulee Dam also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

At June 30, 2016, the Town's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation % 06/30/2016	Net Pension Liability (Asset)
PERS 1	.004066%	218,363
PERS 2/3	.003595%	181,005
LEOFF 1	.001056%	(10,880)
LEOFF 2	.004695%	(27,308)

LEOFF Plan 1

The Town of Coulee Dam 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.

LEOFF Plan 2

The (city/county/district) also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Local Government Pension Plans.

Note 6 - Joint Ventures - Delano Landfill/Transfer Station

DELANO LANDFILL/TRANSFER STATION

The Delano Landfill/Transfer Station is located between Electric City and Grand Coulee near the northern margin of Grant County and the Columbia Plateau in Central Washington. Delano Landfill/Regional Transfer Station is located on Grant County property within the City limits of Grand Coulee. The existing site is approximately 34.7 acres. The Landfill/Transfer Station currently receives waste from Grand Coulee, Electric City, Coulee Dam, Elmer City, the unincorporated areas surrounding the four cities, and the US Bureau of Reclamation.

The Delano Landfill history began October 1, 1968 when the Cities of Electric City and Grand Coulee with the Town's of Coulee Dam and Elmer City ("the parties") joined a cooperative agreement for licensing and operating a sanitary landfill. On November 15, 1974 Grant County was designated as the lead agency for County Wide Solid Waste Disposal System. On January 1, 1984, the municipalities of Electric City, Grand Coulee, Coulee Dam and Elmer City formed the Regional Board of Mayors (RBOM'S) and entered into an agreement to lease the sanitary landfill from Grant County. On January 1, 1989 and May 8, 1995 the municipalities entered into agreements with Grant County to continue the sanitary landfill lease agreement. On January 10, 1984 the municipalities entered into an agreement assigning Coulee Dam as administrator of the trust fund, and the Town of Coulee Dam established a fund of \$7,500.00 for closure costs of the landfill. On October 12, 1989 a new interlocal agreement was entered into and a 15% contribution from each community was established to pay for the future closure costs of the Landfill.

Currently, the Regional Board of Mayors oversees the operation of the Delano Landfill/Regional Transfer Station, along with recommending the user fees for the Landfill/Regional Transfer Station, for approval of each respective council. The City of Electric City prepares and submits the proposed annual budget for approval from the Regional Board, and then the approved proposal is incorporated within the budget ordinance for Electric City.

On August 13, 2007, the parties entered into a new Interlocal Cooperative Agreement for the continued operation of the Regional Board of Mayors. The new Interlocal Cooperative Agreement outlines the working rules of the operation of the board. This agreement also established that the City of Grand Coulee shall maintain the books, records, documents, and other evidence and accounting procedures and practices, which sufficiently and properly reflect all revenues and direct and indirect costs and shall be compensated a monthly 15% operational administrative fee.

All funds of the joint operations of all parties known as the "Regional Board of Mayors" shall be deposited in the public treasury of the City of Grand Coulee. On December 31, 2007, the Town of Coulee Dam submitted to the City of Grand Coulee the following fund balances.

• Regional Board Landfill Fund	\$ 294,501.05
• Regional Board Post Closure Fund	\$ 160,330.49
• Regional Board Closure Fund	<u>\$ 320,811.84</u>

Total	\$ 775,643.38
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In 2008 the City of Grand Coulee established the Solid Waste Handling Fund and combined the Landfill Closure and Post Closure Funds together within their public treasury accounting.

In 2009, the RBOM's authorized the purchase of \$35,000 for walking floor trailers from the Solid Waste Handling Fund. The RBOM's determined the Solid Waste Handling Fund was not needed and transferred \$123,174.49 from the Solid Waste Handling Fund to the Landfill Closure & Post Closure to meet the 2009 Financial Assurance Plan Balance. Remaining Funds were returned to the Operation & Maintenance Landfill Fund, resulting in a zero balance in the Solid Waste Handling Fund. The 441 Solid Waste Handling Fund was closed.

On December 19, 2011 the parties entered into a 4th Addendum to the Interlocal Cooperative Agreement for the continued operation of the Regional Board of Mayors. The new Addendum transferred the administrative responsibilities from the City of Grand Coulee to the City of Electric City, effective January 1, 2012. This 4th Addendum also established an Audit Committee which shall be responsible for review and oversight of the books and records maintained by the Administrative City.

All funds of the joint operations of all parties known as the "Regional Board of Mayors" shall be deposited in the public treasury of the City of Electric City. On May 19, 2012, the City of Grand Coulee submitted to the

City of Electric City \$171,625.20 and on April 9, 2013 submitted \$333,606.83 for the Transfer Station Fund balance of \$505,232.03. On August 27, 2013 The City of Grand Coulee submitted \$985,715.00 to be deposited to the Post Closure Fund. Total fund balances submitted below:

• Regional Board Transfer Station Fund	\$ 505,232.03
• Regional Board Post Closure Fund	<u>\$ 985,715.00</u>
Total	\$1,490,947.03

The City of Electric City reported the 2016 ending fund balance for RBOM's funds within their public treasury as follows.

• Transfer Station Fund	\$ 391,169.72
• Transfer Station Post Closure Reserve Fund	<u>\$ 910,880.65</u>
Total	\$1,302,050.37

Complete financial statements may be obtained from the Electric City, City Clerk, P.O. Box 130, Electric City, WA 99123 and the Grand Coulee City Clerk, P O Box 180, Grand Coulee, WA 99133. A member of the City of Electric City administrative staff is assigned to act as secretary for the Regional Board of Mayors.

The City of Electric City employs and supervises the transfer station personnel. Electric City is reimbursed for the actual costs of employment from the RBOM's funds held by the City of Electric City. Complete financial statements can be obtained from the City of Electric City, PO Box 130, Electric City, WA 99123.

In November 2007, a Final Closure, Post Closure and Financial Assurance Plans were prepared for the Delano Landfill Site. In November 2014 the Financial Assurance Plan was updated for current data information. Although the Plan states that an annual contribution to the Trust Fund would be \$13,248.00 the Regional Board of Mayors decided to keep that amount to \$15,000.00 to better meet future costs. In October 2015 the Financial Assurance Plan was updated for the current data information. The amount of needed funds for post-closure was raised by \$80,634.00 and the annual contribution of \$15,000.00 remained the same. A complete copy of these plans may be obtained from the Clerk's office of the City of Electric City.

In December 2007 the parties entered into an addendum to the Interlocal Cooperative Agreement for the financing and administration of Closure and Post Closure activities at the Delano Landfill. The Statement of Purpose for this addendum is for the parties to take all necessary action in cooperation with each other to meet their obligation to fulfill all landfill closure and post closure requirements and to be jointly responsible for funding all costs and expenses, including, but not limited to, the obligation to repay loan proceeds of \$856,900.00 obtained from the Public Works Trust Fund Loan Program of the State of Washington. A complete copy of the addendum may be obtained from the Clerk's office of the City of Grand Coulee.

DELANO REGIONAL TRANSFER STATION

In December 2007 the parties entered into an addendum to the Interlocal Cooperative Agreement for the financing and administration of Construction, Funding, and Operation of a Transfer Station. The Statement of Purpose for this addendum is for the parties to take all necessary action in cooperation with each other to

finance, construct, operate, and seek all necessary approvals from state, county, and local entities required for the construction and operation of a transfer station and for the transfer of waste from the transfer station to the Ephrata Landfill.

This addendum remains in effect for the term of the loans obtained to fund the construction of the transfer station, or so long as the transfer station is sufficient and adequate to serve the parties and they agree to continue its use, whichever period is longer.

During the term of this addendum, the parties agree to deliver all solid waste generated within each respective city, to the Transfer Station. Any contracts for solid waste collection within the four Cities must include a requirement that all collected solid waste be exclusively delivered to the transfer station. This exclusive utilization is necessary to meet the terms of repayment of the underlying loans from the Public Works Trust Fund Loan Program of the State of Washington in the amount of \$1,540,900.00 for the construction of the transfer station and continued maintenance and operation of the transfer station.

The parties may only terminate their participation prior to the full repayment of the underlying loans from the Public Works Trust Fund of the State of Washington, by paying, in advance, an early termination penalty in the amount of \$10,000.00 and its equitable share of the underlying loans and other expenses for the transfer station, which amounts shall be determined as follows:

$$D = \frac{a}{b} \times C$$

“D” represents equitable share of underlying loans and other expenses for Transfer Station

“a” represents average number of customers of withdrawing city for past 3 years

“b” represents average number of customers of all cities for past 3 years

“C” represents outstanding loan balances for construction of transfer station and closure and post closure of the Delano Landfill, plus each future year’s O & M costs and expenses for the transfer station based on the actual total O & M for the year preceding early termination adjusted by the change in Consumer Price Index using “West Urban-All Urban Consumers-All Items.

Note: If termination occurs prior to end of the first 3 years of transfer station operation, the ratio would be based upon the number of customers for the months of operation of the transfer station preceding termination.

A complete copy of the addendum may be obtained from the Clerk’s office of the City of Electric City.

During the period of January 1, 2016 through December 31, 2016 the parties jointly have the following outstanding loans and pending loans from State of Washington Public Works Trust Fund, for the construction of the Delano Regional Transfer Station, Closure of the Landfill and the State of Washington Treasurers Office for a Semi-Tractor.

Loan Agency	Date of Issue	Date of Maturity	Future Pending Loans	Beginning Outstanding Debt 01/01/16	Amount Issued Current Year	Amount Redeemed Current Year	Ending Outstanding Debt 12/31/16
PWTF Transfer Station Loan	06/2008	06/2028	.00	1,064,171.87	.00	81,859.37	982,312.50
WA State Treasurers Office	11/2008	12/2018	.00	45,990.70	.00	14,563.61	31,427.09
PWTF Closure Loan	08/2008	06/2028	.00	480,511.73	.00	36,962.44	443,549.29
Totals			.00	1,590,674.30		133,385.42	1,457,288.88

The debt service requirements for current outstanding loans, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2017		\$142,680.92		\$142,680.92
2018		\$142,086.83		\$142,086.83
2019		\$124,762.91		\$124,762.91
2020		124,168.79		124,168.79
2021		123,574.70		123,574.70
2022-2026		\$608,961.80		\$608,961.80
2027-2028		\$239,425.96		\$239,425.96
Total		\$1,505,661.91		\$1,505,661.91

The parties have jointly agreed for financial reporting purposes that the outstanding loans since jointly owned by each entity will report their percentage of the outstanding loans and liabilities for landfill closure and post-closure on Schedule 9 long term liability, using the following formula: Total Statement of Billings from Contracted Solid Waste Collection Contractor (currently Sunrise Disposal) divided by amount billed to each entity.

For the period of January 1, 2016 to December 31, 2016 the total amount billed is as follows:

City of Electric City	\$	113,692.62	22%
City of Grand Coulee	\$	206,069.42	39%
Town of Coulee Dam	\$	175,766.83	34%
Town of Elmer City	\$	28,575.33	5%
 TOTAL	 \$	 524,104.20	 100%

Note 7 – OPEB

The Town of Coulee Dam has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, dental and long term care. One (1) retiree received benefits during the year and \$17,498.54 was paid out for those benefits during the year.

Note 8 - Other

The Town of Coulee Dam entered into an agreement with Elmer City in 1979 for wastewater treatment. The wastewater treatment plant is owned and operated by the Town of Coulee Dam. Elmer City reimburses the Town of Coulee Dam for treatment of their sewer on flow based calculation.

The Town of Coulee Dam was awarded a loan in the amount of \$4,700,000 and a grant in the amount of \$1,530,000 from USDA Rural Development for a wastewater treatment plant project. Use of the loan and grant funds are anticipated to commence in the 2017 budget year.

TOWN OF COULEE DAM

Notes to the Financial Statements

January 1, 2015 to December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The Town of Coulee Dam was incorporated on February 26, 1959 and operates under the laws of the state of Washington applicable to towns with a mayor-council form of government. The town is a general-purpose government and provides public safety, street maintenance/improvement, parks and recreation, health and social services, general administrative services, electric, water and sewer services.

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

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

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the Town of Coulee Dam. 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 legally restricted or committed to expenditures for specified purposes of the Town of Coulee Dam.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

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

b. Basis of Accounting

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 Coulee Dam also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Budgets

The Town of Coulee Dam adopts annual appropriated budgets for General, Criminal Justice, Fire Equipment Reserve, Public Safety Reserve General Municipal, Street, Street Reserve, Stadium, Realty Excise Tax, Electric, Electric Reserve, Water, Water Reserve, Wastewater, Wastewater Reserve and Solid Waste 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:

	Final Appropriated	Actual	
Fund/Department	Amounts	Expenditures	Variance
Current Expense Fund	\$ 959,555	\$ 721,975	\$ 237,580
Criminal Justice Reserve	\$ 53,700	\$ 53,599	\$ 101
Fire Equipment Reserve	\$ 80,150	\$ 9,130	\$ 71,020
Street Fund	\$ 294,356	\$ 221,954	\$ 72,402
Stadium (Hotel/Motel) Fund	\$ 68,520	\$ 52,205	\$ 16,315
Realty Excise Tax Fund	\$ -	\$ -	\$ -
Electric Fund	\$ 1,311,747	\$ 1,222,196	\$ 89,551
Water Fund	\$ 422,613	\$ 410,255	\$ 12,358
Water Reserve Fund	\$ -	\$ -	\$ -
WWTP Fund	\$ 745,645	\$ 614,324	\$ 131,321
Solid Waste Fund	\$ 233,500	\$ 233,499	\$ 1
Total	\$ 4,169,786.00	\$ 3,539,137.00	\$ 630,649

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 Coulee Dam legislative body.

d. Cash

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

e. Deposits

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

f. Investments

See Note 2

g. Capital Assets

Capital assets are assets with an individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. The Capital assets of the Town of Coulee Dam 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 a maximum of 150 days, (1200 hours for full time employees and 900 hours for regular part time employees). Upon separation or retirement employees will be compensated twenty five percent (25%) cash out based on the following schedule:

2 - 5 years employment	320 hours
5 - 15 years employment	520 hours
15 -25 years employment	600 hours
25 years or more employment	750 hours

i. Long-Term Debt

See Note 4

j. Other Financing Sources or Uses

The Town of Coulee Dam "Other Financing Sources or Uses" consist of Debt service.

k. Risk Management

The Town of Coulee Dam is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program 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 program 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 December 1, 2015, there are 210 members in the program.**

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of \$100,000, with **the exception of Wrongful**

Acts and Law Enforcement Liability which have a self-insured retention of \$25,000. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of \$2,140,107.**

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self-insured retention, in addition to the deductible.

Equipment Breakdown insurance is subject to a per-occurrence deductible of \$2,500, which may vary per member, with the exception of **Pumps & Motors, which is \$10,000.** Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is \$15,000 and is covered by the CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1, to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program 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 program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending **December 1, 2015, were \$627,702.49.**

1. Reserved Fund Balance

The Town of Coulee Dam as of December 31, 2015 has the following fund balances, which are restricted reserve balances as per external or internal restrictions.

The Stadium Fund (107) Restricted Balances are based on RCW 67.28 Public Stadium, Convention, Arts, and Tourism Facilities. These funds must be used for tourism related expenditures.

The Reality Excise Tax Fund (301) Restricted Balances are based on RCW 82.45 Excise Tax on Real Estate Sales. These funds must be used for capital improvements as adopted in the Town of Coulee Dam's Comprehensive Plan

The Water Fund (410) Restricted Balance is as per the Town of Coulee Dam's USDA RD Letter of Conditions for Loans 91-01 & 91-03 under section of Reserve Account. The amount is for a debt reserve of an annual loan installment per year. This amount must be maintained until Loans are paid off in 2043.

m. Health & Welfare

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

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

As of December 31, 2015, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

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

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Note 2 - Investments

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

Investments are presented at cost.

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

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$ 2,100,046.76
Time Value Investments – Bonds	\$ 595,719.90
Total	\$ 2,695,766.66

Note 3 - Property Taxes

The three (3) county treasurer acts as agents to collect property taxes levied in Grant, Douglas, and Okanogan counties for all taxing authorities. Collections are distributed after the end of each month.

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

The Town's regular levy for 2015 was \$2.298035 per \$1,000 for each of the three counties, which are as follows:

<u>County</u>	<u>Assessed Valuation</u>	<u>Levy Rate</u>	<u>Levied Amount</u>
Grant County	1,099,150	2.298035	\$ 2,526.00
Douglas County	12,376,574	2.298035	\$ 28,437.00
Okanogan County	<u>36,827,685</u>	2.298035	<u>\$ 84,631.00</u>
Total	50,303,409		\$115,594.00

Note 4 - Long-Term Debt

The accompanying Schedule of Long-Term Debt (09) provides more details of the outstanding debt and liabilities of the Town of Coulee Dam and summarizes the Town's debt transactions for year ended December 31, 2015. The debt service requirements for general obligation bonds, revenue bonds and loans including both principle and interest are as follows:

Note 4					
			Principal	Interest	Total
2016			\$ 54,124.65	\$ 58,315.86	\$ 112,440.51
2017			\$ 63,889.98	\$ 58,334.75	\$ 122,224.73
2018			\$ 65,228.15	\$ 56,161.59	\$ 121,389.74
2019			\$ 38,784.61	\$ 67,455.82	\$ 106,240.43
2020			\$ 40,227.97	\$ 52,493.49	\$ 92,721.46
2021-2025			\$ 224,820.46	\$ 231,816.48	\$ 456,636.94
2026-2030			\$ 270,277.76	\$ 193,329.54	\$ 463,607.30
2031-2035			\$ 325,305.40	\$ 138,302.01	\$ 463,607.41
2036-2040			\$ 279,060.02	\$ 78,354.98	\$ 357,415.00
2041-2043			\$ 197,538.53	\$ 16,910.47	\$ 214,449.00
TOTALS			\$ 1,559,257.53	\$ 951,474.99	\$ 2,510,732.52

Note 5 - Pension Plans

Substantially all Town of Coulee Dam full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans PERS & LEOFF. Actuarial information is on a system-wide basis and is not considered pertinent to the Town of Coulee Dam financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan. Employees have the option of participating in the State of Washington Deferred Compensation Pension Plan, over and above the above listed pension plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Dept. 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.

The Town of Coulee Dam also participates in the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) administered by the State Board for Volunteer Fire Fighters and Reserve Officers. Detailed information about the plan is included in the State of Washington CAFR available from the Office of Financial Management website at www.ofm.wa.gov.

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

	Allocation % 06/30/2015	Net Pension Liability (Asset)
PERS 1	.00414300%	216,717
PERS 2/3	.00374600%	133,847
LEOFF 1	.00104500%	(12,595)
LEOFF 2	.00545100%	(56,025)

LEOFF Plan 1

The Town of Coulee Dam 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.

LEOFF Plan 2

The (city/county/district) also participates in the LEOFF Plan 2. The Legislature, by means of a special funding arrangement, appropriates money from the state general fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

B. Local Government Pension Plans.

Note 6 - Joint Ventures - Delano Landfill/Transfer Station

DELANO LANDFILL/TRANSFER STATION

The Delano Landfill/Transfer Station is located between Electric City and Grand Coulee near the northern margin of Grant County and the Columbia Plateau in Central Washington. Delano Landfill/Regional Transfer Station is located on Grant County property within the City limits of Grand Coulee. The existing site is approximately 34.7 acres. The Landfill/Transfer Station currently receives waste from Grand Coulee, Electric City, Coulee Dam, Elmer City, the unincorporated areas surrounding the four cities, and the US Bureau of Reclamation.

The Delano Landfill history began October 1, 1968 when the Cities of Electric City and Grand Coulee with the Town's of Coulee Dam and Elmer City ("the parties") joined a cooperative agreement for licensing and operating a sanitary landfill. On November 15, 1974 Grant County was designated as the lead agency for County Wide Solid Waste Disposal System. On January 1, 1984, the municipalities of Electric City, Grand Coulee, Coulee Dam and Elmer City formed the Regional Board of Mayors (RBOM'S) and entered into an agreement to lease the sanitary landfill from Grant County. On January 1, 1989 and May 8, 1995 the municipalities entered into agreements with Grant County to continue the sanitary landfill lease agreement. On

January 10, 1984 the municipalities entered into an agreement assigning Coulee Dam as administrator of the trust fund, and the Town of Coulee Dam established a fund of \$7,500.00 for closure costs of the landfill. On October 12, 1989 a new interlocal agreement was entered into and a 15% contribution from each community was established to pay for the future closure costs of the Landfill.

Currently, the Regional Board of Mayors oversees the operation of the Delano Landfill/Regional Transfer Station, along with recommending the user fees for the Landfill/Regional Transfer Station, for approval of each respective council. The City of Electric City prepares and submits the proposed annual budget for approval from the Regional Board, and then the approved proposal is incorporated within the budget ordinance for Electric City.

On August 13, 2007, the parties entered into a new Interlocal Cooperative Agreement for the continued operation of the Regional Board of Mayors. The new Interlocal Cooperative Agreement outlines the working rules of the operation of the board. This agreement also established that the City of Grand Coulee shall maintain the books, records, documents, and other evidence and accounting procedures and practices, which sufficiently and properly reflect all revenues and direct and indirect costs and shall be compensated a monthly 15% operational administrative fee.

All funds of the joint operations of all parties known as the "Regional Board of Mayors" shall be deposited in the public treasury of the City of Grand Coulee. On December 31, 2007, the Town of Coulee Dam submitted to the City of Grand Coulee the following fund balances.

• Regional Board Landfill Fund	\$ 294,501.05
• Regional Board Post Closure Fund	\$ 160,330.49
• Regional Board Closure Fund	<u>\$ 320,811.84</u>

Total	\$ 775,643.38
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In 2008 the City of Grand Coulee established the Solid Waste Handling Fund and combined the Landfill Closure and Post Closure Funds together within their public treasury accounting.

In 2009, the RBOM's authorized the purchase of \$35,000 for walking floor trailers from the Solid Waste Handling Fund. The RBOM's determined the Solid Waste Handling Fund was not needed and transferred \$123,174.49 from the Solid Waste Handling Fund to the Landfill Closure & Post Closure to meet the 2009 Financial Assurance Plan Balance. Remaining Funds were returned to the Operation & Maintenance Landfill Fund, resulting in a zero balance in the Solid Waste Handling Fund. The 441 Solid Waste Handling Fund was closed.

On December 19, 2011 the parties entered into a 4th Addendum to the Interlocal Cooperative Agreement for the continued operation of the Regional Board of Mayors. The new Addendum transferred the administrative responsibilities from the City of Grand Coulee to the City of Electric City, effective January 1, 2012. This 4th Addendum also established an Audit Committee which shall be responsible for review and oversight of the books and records maintained by the Administrative City.

All funds of the joint operations of all parties known as the "Regional Board of Mayors" shall be deposited in the public treasury of the City of Electric City. On May 19, 2012, the City of Grand Coulee submitted to the City of Electric City \$171,625.20 and on April 9, 2013 submitted \$333,606.83 for the Transfer Station Fund balance of \$505,232.03. On August 27, 2013 The City of Grand Coulee submitted \$985,715.00 to be deposited to the Post Closure Fund. Total fund balances submitted below:

• Regional Board Transfer Station Fund	\$ 505,232.03
• Regional Board Post Closure Fund	<u>\$ 985,715.00</u>
Total	<u>\$1,490,947.03</u>

The City of Electric City reported the 2015 ending fund balance for RBOM's funds within their public treasury as follows.

• Transfer Station Fund	\$ 514,324.09
• Transfer Station Post Closure Reserve Fund	<u>\$ 947,014.76</u>
Total	\$1,461,338.85

Complete financial statements may be obtained from the Electric City, City Clerk, P.O. Box 130, Electric City, WA 99123 and the Grand Coulee City Clerk, P O Box 180, Grand Coulee, WA 99133. A member of the City of Electric City administrative staff is assigned to act as secretary for the Regional Board of Mayors.

The City of Electric City employs and supervises the transfer station personnel. Electric City is reimbursed for the actual costs of employment from the RBOM's funds held by the City of Electric City. Complete financial statements can be obtained from the City of Electric City, PO Box 130, Electric City, WA 99123.

In November 2007, a Final Closure, Post Closure and Financial Assurance Plans were prepared for the Delano Landfill Site. In November 2014 the Financial Assurance Plan was updated for current data information. Although the Plan states that an annual contribution to the Trust Fund would be \$13,248.00 the Regional Board of Mayors decided to keep that amount to \$15,000.00 to better meet future costs. **In October 2015 the Financial Assurance Plan was updated for the current data information. The amount of needed funds for post-closure was raised by \$80,634.00 and the annual contribution of \$15,000.00 remained the same.** A complete copy of these plans may be obtained from the Clerk's office of the City of Electric City.

In December 2007 the parties entered into an addendum to the Interlocal Cooperative Agreement for the financing and administration of Closure and Post Closure activities at the Delano Landfill. The Statement of Purpose for this addendum is for the parties to take all necessary action in cooperation with each other to meet their obligation to fulfill all landfill closure and post closure requirements and to be jointly responsible for funding all costs and expenses, including, but not limited to, the obligation to repay loan proceeds of \$856,900.00 obtained from the Public Works Trust Fund Loan Program of the State of Washington. A complete copy of the addendum may be obtained from the Clerk's office of the City of Grand Coulee.

DELANO REGIONAL TRANSFER STATION

In December 2007 the parties entered into an addendum to the Interlocal Cooperative Agreement for the financing and administration of Construction, Funding, and Operation of a Transfer Station. The Statement of Purpose for this addendum is for the parties to take all necessary action in cooperation with each other to finance, construct, operate, and seek all necessary approvals from state, county, and local entities required for the construction and operation of a transfer station and for the transfer of waste from the transfer station to the Ephrata Landfill.

This addendum remains in effect for the term of the loans obtained to fund the construction of the transfer station, or so long as the transfer station is sufficient and adequate to serve the parties and they agree to continue its use, whichever period is longer.

During the term of this addendum, the parties agree to deliver all solid waste generated within each respective city, to the Transfer Station. Any contracts for solid waste collection within the four Cities must include a requirement that all collected solid waste be exclusively delivered to the transfer station. This exclusive utilization is necessary to meet the terms of repayment of the underlying loans from the Public Works Trust Fund Loan Program of the State of Washington in the amount of \$1,540,900.00 for the construction of the transfer station and continued maintenance and operation of the transfer station.

The parties may only terminate their participation prior to the full repayment of the underlying loans from the Public Works Trust Fund of the State of Washington, by paying, in advance, an early termination penalty in the amount of \$10,000.00 and its equitable share of the underlying loans and other expenses for the transfer station, which amounts shall be determined as follows:

$$D = \frac{a}{b} \times C$$

“D” represents equitable share of underlying loans and other expenses for Transfer Station

“a” represents average number of customers of withdrawing city for past 3 years

“b” represents average number of customers of all cities for past 3 years

“C” represents outstanding loan balances for construction of transfer station and closure and post closure of the Delano Landfill, plus each future year’s O & M costs and expenses for the transfer station based on the actual total O & M for the year preceding early termination adjusted by the change in Consumer Price Index using “West Urban-All Urban Consumers-All Items.

Note: If termination occurs prior to end of the first 3 years of transfer station operation, the ratio would be based upon the number of customers for the months of operation of the transfer station preceding termination.

A complete copy of the addendum may be obtained from the Clerk’s office of the City of Electric City.

During the period of January 1, 2015 through December 31, 2015 the parties jointly have the following outstanding loans and pending loans from State of Washington Public Works Trust Fund, for the construction of the Delano Regional Transfer Station, Closure of the Landfill and the State of Washington Treasurers Office for a Semi-Tractor.

Loan Agency	Date of Issue	Date of Maturity	Future Pending Loans	Beginning Outstanding Debt 01/01/15	Amount Issued Current Year	Amount Redeemed Current Year	Ending Outstanding Debt 12/31/15
PWTF Transfer Station Loan	06/2008	07/2028	.00	1,146,031.25	.00	81,859.38	1,064,171.87
WA State Treasurers Office	11/2008	12/2018	.00	59,837.76	.00	13,847.06	45,990.70

PWTF Closure Loan	08/2008	07/2028	.00	517,474.17	.00	36,962.44	480,511.73
Totals			.00	1,723,343.18		132,668.88	1,590,674.30

The debt service requirements for current outstanding loans, including interest, are as follows:

	General Obligation Bonds	Revenue Bonds	Other Debt	Total Debt
2016		\$143,275.04		\$143,275.04
2017		\$142,680.92		\$142,680.92
2018		\$142,086.83		\$142,086.83
2019		\$124,762.91		\$124,762.91
2020		124,168.79		124,168.79
2021-2025		\$611,932.37		\$611,932.37
2026-2028		\$360,030.10		\$360,030.10
Total		\$1,648,936.96		\$1,648,936.96

The parties have jointly agreed for financial reporting purposes that the outstanding loans since jointly owned by each entity will report their percentage of the outstanding loans and liabilities for landfill closure and post-closure on Schedule 9 long term liability, using the following formula: Total Statement of Billings from Contracted Solid Waste Collection Contractor (currently Sunrise Disposal) divided by amount billed to each entity.

For the period of January 1, 2015 to December 31, 2015 the total amount billed is as follows:

City of Electric City	\$	112,929.38	22%
City of Grand Coulee	\$	204,863.19	40%
Town of Coulee Dam	\$	164,863.34	32%
Town of Elmer City	\$	28,569.93	6%
TOTAL	\$	511,225.84	100%

Note 7 – OPEB

The Town of Coulee Dam has a commitment to pay for post-employment benefits for employees that belong to LEOFF 1. These benefits include medical, vision, dental and long term care. One (1) retiree received benefits during the year and \$17,927.70 was paid out for those benefits during the year.

Note 8 - Other

The Town of Coulee Dam entered into an agreement with Elmer City in 1979 for wastewater treatment. The wastewater treatment plant is owned and operated by the Town of Coulee Dam. Elmer City reimburses the Town of Coulee Dam for treatment of their sewer on flow based calculation.

**Town of Coulee Dam
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						
263.98	GO Ambulance Credits		10,411	-	-	10,411
	Total General Obligation Debt/Liabilities:		10,411	-	-	10,411
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	General Compensated Absenses		10,730	15,950	13,578	13,102
259.12	#401 Electric Compensated Absenses		6,128	9,117	3,877	11,368
259.12	#410 Water Compensated Absenses		5,633	6,059	3,698	7,994
259.12	#420 Sewer Compensated Absenses		17,880	11,995	9,609	20,266
259.12	#430 Garbage Compensated Absenses		872	1,303	949	1,226
263.22	RBOM Liabilities for Landfill	12/31/2042	314,702	26,511	20,872	320,341
263.82	#410 Water USDA-RD 91-01	9/3/2043	857,197	-	16,519	840,678
263.82	#410 Water USDA-RD 91-03	9/3/2043	300,012	-	5,782	294,230
263.82	#410 Water PWTF Loan PW-98-791-016	7/1/2018	83,500	-	27,833	55,667
263.82	#420 Sewer SRF Loan L1200030	12/31/2035	301,832	15,788	3,992	313,628
263.82	RBOM PWTF Loan PC08-951-036	7/1/2028	340,525	21,293	27,832	333,986
263.82	RBOM WA State Treasurers Local Program	12/1/2018	14,717	-	4,032	10,685
263.82	RBOM PWTF Loan PC08-951-035	7/1/2028	153,764	-	2,957	150,807
264.3	Pension Liability		350,564	48,804	-	399,368
	Total Revenue and Other (non G.O.) Debt/Liabilities:		2,758,056	156,820	141,530	2,773,346
	Total Liabilities:		2,768,467	156,820	141,530	2,783,757

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.98	GO Ambulance Credits		10,385	26	-	10,411
	Total General Obligation Debt/Liabilities:		10,385	26	-	10,411
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	General Compensated Absenses		29,352	19,785	38,407	10,730
259.12	#401 Electric Compensated Absenses		8,658	7,014	9,544	6,128
259.12	#410 Water Compensated Absenses		4,916	6,103	5,386	5,633
259.12	#420 Sewer Compensated Absenses		16,252	12,371	10,743	17,880
259.12	#430 Garbage Compensated Absenses		397	1,232	757	872
263.22	RBOM Liabilities for Landfill	12/31/2042	297,585	25,803	8,686	314,702
263.82	#410 Water USDA-RD 91-01	9/3/2043	873,043	-	15,846	857,197
263.82	#410 Water USDA-RD 91-03	9/3/2043	305,559	-	5,547	300,012
263.82	#410 Water PWTF Loan PW-98-791-016	7/1/2018	111,333	-	27,833	83,500
263.82	#420 Sewer SRF Loan L1200030	12/31/2035	155,129	146,703	-	301,832
263.82	RBOM PWTF Loan PC08-951-036	7/1/2028	355,270	-	14,745	340,525
263.82	RBOM WA State Treasurers Local Prog.	12/1/2018	18,550	-	3,833	14,717
263.82	RBOM PWTF Loan PC08-951-035	7/1/2028	160,417	-	6,653	153,764
264.3	Pension Liability		-	350,564	-	350,564
	Total Revenue and Other (non G.O.) Debt/Liabilities:		2,336,461	569,575	147,980	2,758,056
	Total Liabilities:		2,346,846	569,601	147,980	2,768,467

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	
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