



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Coupeville Library Capital Facility District

For the period January 1, 2015 through December 31, 2017

Published December 31, 2018

Report No. 1022863





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

December 31, 2018

Board of Commissioners
Coupeville Library Capital Facility District
Marysville, Washington

Report on Financial Statements

Please find attached our report on the Coupeville Library Capital Facility District's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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**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**

**Coupeville Library Capital Facility District
January 1, 2015 through December 31, 2017**

Board of Commissioners
Coupeville Library Capital Facility District
Marysville, 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 Coupeville Library Capital Facility District, as of and for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 19, 2018.

We issued an unmodified opinion on the fair presentation of the District'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 District 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 District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District'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

November 19, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Coupeville Library Capital Facility District January 1, 2015 through December 31, 2017

Board of Commissioners
Coupeville Library Capital Facility District
Marysville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Coupeville Library Capital Facility District, for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

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 District'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 District'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 Coupeville Library Capital Facility District 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 Coupeville Library Capital Facility District, for the years ended December 31, 2017, 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 District 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 Coupeville Library Capital Facility District, as of December 31, 2017, 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 conducted 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 November 19, 2018 on our consideration of the District’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 District’s internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

November 19, 2018

FINANCIAL SECTION

Coupeville Library Capital Facility District January 1, 2015 through December 31, 2017

FINANCIAL STATEMENTS

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Coupeville Library Capital Facility District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2017

Beginning Cash and Investments

30810	Reserved	65,500
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	183,654
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,827
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		185,481

Expenditures

570	Culture and Recreation	-
Total Expenditures:		-
Excess (Deficiency) Revenues over Expenditures:		185,481

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

Other Decreases in Fund Resources

594-595	Capital Expenditures	-
591-593, 599	Debt Service	190,249
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		190,249

Increase (Decrease) in Cash and Investments: (4,768)

Ending Cash and Investments

5081000	Reserved	60,732
5088000	Unreserved	-
Total Ending Cash and Investments		60,732

The accompanying notes are an integral part of this statement.

Coupeville Library Capital Facility District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

Beginning Cash and Investments

30810	Reserved	64,028
30880	Unreserved	-
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	184,876
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,488
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Revenues:		186,364

Expenditures

570	Culture and Recreation	-
Total Expenditures:		-
Excess (Deficiency) Revenues over Expenditures:		186,364

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

Other Decreases in Fund Resources

594-595	Capital Expenditures	-
591-593, 599	Debt Service	184,892
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		184,892

Increase (Decrease) in Cash and Investments: **1,472**

Ending Cash and Investments

5081000	Reserved	65,500
5088000	Unreserved	-
Total Ending Cash and Investments		65,500

The accompanying notes are an integral part of this statement.

Coupeville Library Capital Facility District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

Beginning Cash and Investments

30810	Reserved	58,143
30880	Unreserved	-
388 & 588	Prior Period Adjustments, Net	-

Operating Revenues

310	Taxes	189,449
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	-
Total Operating Revenues:		189,449

Operating Expenditures

570	Culture and Recreation	-
Total Operating Expenditures:		-
Net Operating Increase (Decrease):		189,449

Nonoperating Revenues

370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		-

Nonoperating Expenditures

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	183,564
594-595	Capital Expenditures	-
597	Transfers-Out	-
Total Nonoperating Expenditures:		183,564
Net Increase (Decrease) in Cash and Investments:		5,885

Ending Cash and Investments

5081000	Reserved	64,028
5088000	Unreserved	-
Total Ending Cash and Investments		64,028

The accompanying notes are an integral part of this statement.

COUPEVILLE LIBRARY CAPITAL FACILITY AREA
Notes to Financial Statements
For the Year Ended December 31, 2017

Note 1 - Summary of Significant Accounting Policies

The Coupeville library Capital Facility Area (CLCFA) was incorporated on August 19, 2008 and operates under the laws of the state of Washington applicable to Chapter 27.15 of the RCW. The governing body of the CLCFA as designated by RCW 27.15.030 is comprised of the three members of the Island County Commissioners. The CLCFA is a special purpose local government and provides the issuance of bonds to finance the acquisition of the Coupeville Library from the Town of Coupeville, the remodeling, expansion, furnishing and equipping thereof, and to levy the corresponding excess taxes to pay the bonds.

The CLCFA reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. **Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

Debt Service Funds

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

B. **Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

C. Budgets

The CLCFA uses the annual levy certification as legal authority for the collection of an excess tax levy for the sole purpose of paying the principal and interest requirements of the CLCFA's Unlimited Tax General Obligation Bond. All excess tax levied is deposited in the CLCFA's Bond Fund and all bond obligations are satisfied within this fund.

Fund	Certified Levy Budget	2017 Actual Tax Received	2017 Actual Debt Service Paid
291 Bond Fund	\$185,277	\$185,481	\$190,080

Capital fund expenditures are governed by an Interlocal Agreement dated December 22, 2008 (*see Note 5*). The balance of the capital fund was fully depleted in 2014 and this fund is now closed.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

G. Risk Management

Commercial Liability Insurance is provided by *Philadelphia Insurance Companies*. The MLCFA is covered under Sno-Isle Libraries' commercial insurance policies for risk management. The building is insured for its replacement value as part of Sno-Isle Libraries' \$45,208,701 blanket property insurance policy. This policy has a \$5,000 deductible. The MLCFA also has *Difference in Conditions* coverage under Sno-Isle Libraries' insurance policies limited to \$25,000,000 and a 5% deductible.

H. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of excess taxes to pay the bonds.

Note 2 - Property Tax

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

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

The CLCFA's certified levy for the year 2017 was \$.089177545 per \$1,000 on an assessed valuation of \$2,063,513,388 for a total excess levy of \$ 184,019.

Note 3 – Deposits and Investments

Deposits and Investments

It is the CLCFA policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Island County Treasurer or its agent in the government's name.

Investments are reported at original cost. There were no investments at December 31, 2017.

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the CLCFA and summarizes the CLCFA's debt transactions for year ended December 31, 2017.

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

BOND DEBT SERVICE					
Coupeville LCFA - Cashmere Valley Bank - Two Draws - Noncallable					
Delivery Date 5/14/2009					
Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
5/13/2010			86,886.33	86,886.33	
12/1/2010			61,099.50	61,099.50	147,985.83
6/1/2011			55,545.00	55,545.00	
12/1/2011	55,000	4.830%	55,545.00	110,545.00	166,090.00
6/1/2012			54,216.75	54,216.75	
12/1/2012	60,000	4.830%	54,216.75	114,216.75	168,433.50
6/1/2013			52,767.75	52,767.75	
12/1/2013	70,000	4.830%	52,767.75	122,767.75	175,535.50
6/1/2014			51,077.25	51,077.25	
12/1/2014	75,000	4.830%	51,077.25	126,077.25	177,154.50
6/1/2015			49,266.00	49,266.00	
12/1/2015	85,000	4.830%	49,266.00	134,266.00	183,532.00
6/1/2016			47,213.25	47,213.25	
12/1/2016	90,000	4.830%	47,213.25	137,213.25	184,426.50
6/1/2017			45,039.75	45,039.75	
12/1/2017	100,000	4.830%	45,039.75	145,039.75	190,079.50
6/1/2018			42,624.75	42,624.75	
12/1/2018	105,000	4.830%	42,624.75	147,624.75	190,249.50
6/1/2019			40,089.00	40,089.00	

12/1/2019	115,000	4.830%	40,089.00	155,089.00	195,178.00
6/1/2020			37,311.75	37,311.75	
12/1/2020	125,000	4.830%	37,311.75	162,311.75	199,623.50
6/1/2021			34,293.00	34,293.00	
12/1/2021	135,000	4.830%	34,293.00	169,293.00	203,586.00
6/1/2022			31,032.75	31,032.75	
12/1/2022	145,000	4.830%	31,032.75	176,032.75	207,065.50
6/1/2023			27,531.00	27,531.00	
12/1/2023	160,000	4.830%	27,531.00	187,531.00	215,062.00
6/1/2024			23,667.00	23,667.00	
12/1/2024	170,000	4.830%	23,667.00	193,667.00	217,334.00
6/1/2025			19,561.50	19,561.50	
12/1/2025	180,000	4.830%	19,561.50	199,561.50	219,123.00
6/1/2026			15,214.50	15,214.50	
12/1/2026	195,000	4.830%	15,214.50	210,214.50	225,429.00
6/1/2027			10,505.25	10,505.25	
12/1/2027	210,000	4.830%	10,505.25	220,505.25	231,010.50
6/1/2028			5,433.75	5,433.75	
12/1/2028	225,000	4.830%	5,433.75	230,433.75	235,867.50
	2,300,000		1,432,765.83	3,732,765.83	3,732,765.83

Note 5 - Other Disclosures

Interlocal Agreements

On December 22, 2008 the City of Coupeville (the "City"), the Sno-Isle Intercounty Rural Library District (the "Library District"), and the Coupeville Library Capital Facility Area (the "CLCFA") entered into an Interlocal Agreement regarding the acquisition, remodel, operation, and ownership of the Coupeville Library to be financed by the CLCFA pursuant to Chapter 27.15 R.C.W.

Under the terms of the agreement the purchase and remodel of the Library Facilities was by mutual agreement between the City and the Library District and was administered by the Library District. Title to the Library Facilities including land, building, furnishings, library collections and equipment shall be held by the Library District. The operation and maintenance of the Library Facility shall be the responsibility of the Library District.

The Interlocal Agreement will remain in effect until the CLCFA is dissolved according to law after all obligations under any general obligation bonds issued by the CLCFA have been discharged and any other contractual obligations of such area have been discharged or assumed by another governmental entity.

COUPEVILLE LIBRARY CAPITAL FACILITY AREA
Notes to Financial Statements
For the Year Ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The Coupeville library Capital Facility Area (CLCFA) was incorporated on August 19, 2008 and operates under the laws of the state of Washington applicable to Chapter 27.15 of the RCW. The governing body of the CLCFA as designated by RCW 27.15.030 is comprised of the three members of the Island County Commissioners. The CLCFA is a special purpose local government and provides the issuance of bonds to finance the acquisition of the Coupeville Library from the Town of Coupeville, the remodeling, expansion, furnishing and equipping thereof, and to levy the corresponding excess taxes to pay the bonds.

The CLCFA reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

Debt Service Funds

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the CLCFA also recognizes expenditures paid during twenty days after

the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The CLCFA uses the annual levy certification as legal authority for the collection of an excess tax levy for the sole purpose of paying the principal and interest requirements of the CLCFA's Unlimited Tax General Obligation Bond. All excess tax levied is deposited in the CLCFA's Bond Fund and all bond obligations are satisfied within this fund.

Fund	Certified Levy Amount	2016 Tax Received	2016 Actual Debt Service
291 Bond Fund	\$186,402	\$186,364	\$184,892

Capital fund expenditures are governed by an Interlocal Agreement dated December 22, 2008 (see Note 5). The balance of the capital fund was fully depleted in 2014 and this fund is now closed.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

G. Risk Management

The CLCFA purchases commercial insurance policies for risk management. Insurance is provided by Liberty Mutual Insurance Corporation. The coverage is \$1,500,000 building replacement and \$336,270 business personal property. The deductible is \$5,000.

H. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of excess taxes to pay the bonds.

Note 2 - Property Tax

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

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

The CLCFA's certified levy for the year 2016 was \$.09318 per \$1,000 on an assessed valuation of \$1,984,577,753 for a total excess levy of \$ 185,277 and refund levy of \$ 1,125.

Note 3 – Deposits and Investments

Deposits and Investments

It is the CLCFA policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Island County Treasurer or its agent in the government's name.

Investments are reported at original cost. There were no investments at December 31, 2016.

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the CLCFA and summarizes the CLCFA's debt transactions for year ended December 31, 2016.

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

BOND DEBT SERVICE

Coupeville LCFA - Cashmere Valley Bank - Two Draws - Noncallable

Dated Date	5/14/2009
Delivery Date	5/14/2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
5/13/2010			86,886.33	86,886.33	
12/1/2010			61,099.50	61,099.50	147,985.83
6/1/2011			55,545.00	55,545.00	
12/1/2011	55,000	4.830%	55,545.00	110,545.00	166,090.00
6/1/2012			54,216.75	54,216.75	
12/1/2012	60,000	4.830%	54,216.75	114,216.75	168,433.50
6/1/2013			52,767.75	52,767.75	
12/1/2013	70,000	4.830%	52,767.75	122,767.75	175,535.50
6/1/2014			51,077.25	51,077.25	
12/1/2014	75,000	4.830%	51,077.25	126,077.25	177,154.50
6/1/2015			49,266.00	49,266.00	

12/1/2015	85,000	4.830%	49,266.00	134,266.00	183,532.00
6/1/2016			47,213.25	47,213.25	
12/1/2016	90,000	4.830%	47,213.25	137,213.25	184,426.50
6/1/2017			45,039.75	45,039.75	
12/1/2017	100,000	4.830%	45,039.75	145,039.75	190,079.50
6/1/2018			42,624.75	42,624.75	
12/1/2018	105,000	4.830%	42,624.75	147,624.75	190,249.50
6/1/2019			40,089.00	40,089.00	
12/1/2019	115,000	4.830%	40,089.00	155,089.00	195,178.00
6/1/2020			37,311.75	37,311.75	
12/1/2020	125,000	4.830%	37,311.75	162,311.75	199,623.50
6/1/2021			34,293.00	34,293.00	
12/1/2021	135,000	4.830%	34,293.00	169,293.00	203,586.00
6/1/2022			31,032.75	31,032.75	
12/1/2022	145,000	4.830%	31,032.75	176,032.75	207,065.50
6/1/2023			27,531.00	27,531.00	
12/1/2023	160,000	4.830%	27,531.00	187,531.00	215,062.00
6/1/2024			23,667.00	23,667.00	
12/1/2024	170,000	4.830%	23,667.00	193,667.00	217,334.00
6/1/2025			19,561.50	19,561.50	
12/1/2025	180,000	4.830%	19,561.50	199,561.50	219,123.00
6/1/2026			15,214.50	15,214.50	
12/1/2026	195,000	4.830%	15,214.50	210,214.50	225,429.00
6/1/2027			10,505.25	10,505.25	
12/1/2027	210,000	4.830%	10,505.25	220,505.25	231,010.50
6/1/2028			5,433.75	5,433.75	
12/1/2028	225,000	4.830%	5,433.75	230,433.75	235,867.50
2,300,000			1,432,765.83	3,732,765.83	3,732,765.83

Note 5 - Other Disclosures

Interlocal Agreements

On December 22, 2008 the City of Coupeville (the "City"), the Sno-Isle Intercounty Rural Library District (the "Library District"), and the Coupeville Library Capital Facility Area (the "CLCFA") entered into an Interlocal Agreement regarding the acquisition, remodel, operation, and ownership of the Coupeville Library to be financed by the CLCFA pursuant to Chapter 27.15 R.C.W.

Under the terms of the agreement the purchase and remodel of the Library Facilities was by mutual agreement between the City and the Library District and was administered by the Library District. Title to the Library Facilities including land, building, furnishings, library collections and equipment shall be held by the Library District. The operation and maintenance of the Library Facility shall be the responsibility of the Library District.

The Interlocal Agreement will remain in effect until the CLCFA is dissolved according to law after all obligations under any general obligation bonds issued by the CLCFA have been discharged and any other contractual obligations of such area have been discharged or assumed by another governmental entity.

COUPEVILLE LIBRARY CAPITAL FACILITY AREA
Notes to Financial Statements
For the Year Ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The Coupeville library Capital Facility Area (CLCFA) was incorporated on August 19, 2008 and operates under the laws of the state of Washington applicable to Chapter 27.15 of the RCW. The governing body of the CLCFA as designated by RCW 27.15.030 is comprised of the three members of the Island County Commissioners. The CLCFA is a special purpose local government and provides the issuance of bonds to finance the acquisition of the Coupeville Library from the Town of Coupeville, the remodeling, expansion, furnishing and equipping thereof, and to levy the corresponding excess taxes to pay the bonds.

The CLCFA reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

Debt Service Funds

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

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law the CLCFA also recognizes expenditures paid during twenty days after

the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The CLCFA uses the annual levy certification as legal authority for the collection of an excess tax levy for the sole purpose of paying the principal and interest requirements of the CLCFA's Unlimited Tax General Obligation Bond. All excess tax levied is deposited in the CLCFA's Bond Fund and all bond obligations are satisfied within this fund.

Fund	Certified Levy Amount	2015 Tax Received	2015 Actual Debt Service
291 Bond Fund	\$187,051	\$189,449	\$183,564

Capital fund expenditures are governed by an Interlocal Agreement dated December 22, 2008 (see Note 5). The balance of the capital fund was fully depleted in 2014 and this fund is now closed.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Long-Term Debt

See Note 4, *Debt Service Requirements*.

G. Risk Management

The CLCFA purchases commercial insurance policies for risk management. Insurance is provided by Liberty Northwest Insurance Corporation. The coverage is \$1,500,000 building replacement and \$336,270 business personal property. The deductible is \$5,000.

H. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of excess taxes to pay the bonds.

Note 2 - Property Tax

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

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

The CLCFA's excess levy for the year 2015 was \$.0935 per \$1,000 on an assessed valuation of \$1,981,040,356 for a total excess levy of \$ 185,277 and refund levy of \$ 1,774.

Note 3 – Deposits and Investments

Deposits and Investments

It is the CLCFA policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Island County Treasurer or its agent in the government's name.

Investments are reported at original cost. There were no investments at December 31, 2015.

Note 4 – Debt Service Requirements

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Coupeville Library Capital Facility District
Schedule of Liabilities
For the Year Ended December 31, 2017

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.12	UTGO 2009 Bonds	12/1/2028	1,865,000	-	100,000	1,765,000
	Total General Obligation Debt/Liabilities:		1,865,000	-	100,000	1,765,000
	Total Liabilities:		1,865,000	-	100,000	1,765,000

Coupeville Library Capital Facility District
Schedule of Liabilities
For the Year Ended December 31, 2016

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	2009 Bond	12/1/2028	1,955,000	-	90,000	1,865,000
	Total General Obligation Debt/Liabilities:		1,955,000	-	90,000	1,865,000
	Total Liabilities:		1,955,000	-	90,000	1,865,000

Coupeville Library Capital Facility District
Schedule of Liabilities
For the Year Ended December 31, 2015

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligation Debt/Liabilities						
251.11	2009 Bond	12/1/2028	2,040,000	-	85,000	1,955,000
	Total General Obligation Debt/Liabilities:		2,040,000	-	85,000	1,955,000
	Total Liabilities:		2,040,000	-	85,000	1,955,000

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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