



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Town of Spangle

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

Published March 4, 2019

Report No. 1023212





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

March 4, 2019

Mayor and Town Council
Town of Spangle
Spangle, Washington

Report on Financial Statements

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

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**Town of Spangle
Spokane County
January 1, 2016 through December 31, 2017**

2017-001 The Town's accounting and financial statement preparation controls were not adequate to ensure accurate reporting.

Background

Town management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls that adversely affected the Town's ability to produce reliable financial statements, notes and required schedules.

Description of Condition

Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency:

- Town personnel responsible for compiling the financial information did not have adequate knowledge to accurately prepare the financial statements, notes to the financial statements, and schedule of liabilities.
- The Town lacked an effective review process to ensure amounts reported in the financial statements and schedules agree to the underlying accounting records and *Budgeting, Accounting and Reporting System* (BARS) manual guidance.
- The Town relied on its accounting software to generate accurate financial statements.

Cause of Condition

The Town has a small number of staff and limited resources to dedicate to the financial reporting function.

Effect of Condition

The financial statements submitted for audit contained the following errors in the Fund Resources and Uses Arising from Cash Transactions:

- In both 2016 and 2017, the City did not consolidate managerial funds for reporting purposes as required. Audit reserve, sewer and garbage financial

activities were reported in multiple funds and should have been reported in only one fund for each activity.

- The Town overstated the unreserved portion of beginning cash and investments for the Sewer Fund by \$14,861 in 2016 and \$19,023 in 2017, and understated the reserved portion for the Garbage Fund by the same amounts.
- The Town overstated the reserved portion of ending cash and investments for the Sewer Fund by \$19,021 in 2016 and understated the reserved portion for the Garbage Fund by the same amount.

We also identified other less significant errors within the Town's annual report. The Town corrected all of the above errors on the financial statements.

Recommendation

We recommend the Town dedicate the necessary time and resources to establish internal controls to ensure it has an effective process for recording, reviewing and accurately reporting financial information. This includes providing adequate training to staff responsible for financial accounting and reporting.

Town's Response

The Town's Clerk/Treasurer will continue to attend Annual Report classes offered by BIAS and SAO. She will also take extra precautions to ensure accuracy, by scheduling appointments with BIAS staff and/or SAO representatives to double check reports before submittal. The report will also be reviewed by a member of the Town council before submittal.

Auditor's Remarks

We appreciate the Town's commitment to resolve this finding and thank the Town for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular 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.

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.

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 American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Controls Related Matter Identified in an Audit, paragraph 7.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Town of Spangle **January 1, 2016 through December 31, 2017**

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

Audit Period: January 1, 2014 – December 31, 2015	Report Ref. No.: 1017106	Finding Ref. No.: 2015-001
Finding Caption: The Town's internal controls over financial statement preparation are inadequate to ensure accurate reporting.		
Background: Town management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls that adversely affected the Town's ability to produce reliable financial statements, notes and required schedules.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The Clerk attended several Annual Report classes offered by the Town's accounting software and by the Auditor's Office. She also attended a two day class offered by the Town's accounting software company that included several Auditor's speakers. She also attended an 8 hour annual report class conducted by the Town's accounting software company. The annual reports were reported and submitted on time, and the current BARS manual was used. In addition, the financial statements were reviewed by both the Mayor and a councilmember. However, the financial statements contained several misstatements after review.</i>		

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Town of Spangle
January 1, 2016 through December 31, 2017**

Mayor and Town Council
Town of Spangle
Spangle, 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 Spangle, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated January 24, 2019.

We issued an unmodified opinion on the fair presentation of the Town's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Town using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

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

TOWN'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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

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

Pat McCarthy
State Auditor
Olympia, WA

January 24, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Spangle **January 1, 2016 through December 31, 2017**

Mayor and Town Council
Town of Spangle
Spangle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Spangle, for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 15.

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 Spangle 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 Spangle, for the years ended December 31, 2017 and 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Town used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Spangle, as of December 31, 2017 and 2016, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities 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 24, 2019 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

Pat McCarthy

State Auditor

Olympia, WA

January 24, 2019

FINANCIAL SECTION

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

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fund Resources and Uses Arising from Cash Transactions – 2016
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Notes to the Financial Statements – 2017
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Liabilities – 2016

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	107 CRIMINAL JUSTICE FUND
Beginning Cash and Investments					
30810	Reserved	71,175	606	9,258	16,272
30880	Unreserved	110,488	59,913	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	179,531	143,030	14,337	22,164
320	Licenses and Permits	948	948	-	-
330	Intergovernmental Revenues	388,821	194,579	36,970	1,762
340	Charges for Goods and Services	223,894	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,040	920	-	-
Total Revenues:		794,234	339,477	51,307	23,926
Expenditures					
510	General Government	60,382	60,382	-	-
520	Public Safety	37,815	21,402	-	16,413
530	Utilities	165,228	-	-	-
540	Transportation	210,375	186,886	23,488	-
550	Natural and Economic Environment	323	323	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	7,574	7,574	-	-
Total Expenditures:		481,696	276,568	23,488	16,413
Excess (Deficiency) Revenues over Expenditures:		312,537	62,910	27,819	7,513
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	25,939	-	-	-
397	Transfers-In	10,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		35,939	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	227,344	-	17,230	-
591-593, 599	Debt Service	22,124	-	-	-
597	Transfers-Out	10,000	10,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	73	73	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		259,541	10,073	17,230	-
Increase (Decrease) in Cash and Investments:		88,935	52,837	10,589	7,513
Ending Cash and Investments					
5081000	Reserved	103,022	8,606	19,846	23,785
5088000	Unreserved	167,576	104,749	-	-
Total Ending Cash and Investments		270,598	113,356	19,846	23,785

The accompanying notes are an integral part of this statement.

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

		<u>400 Water Fund</u>	<u>401 Sewer Fund</u>	<u>402 Garbage Collection Fund</u>
Beginning Cash and Investments				
30810	Reserved	-	26,015	19,023
30880	Unreserved	28,919	21,656	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	155,510	-
340	Charges for Goods and Services	78,262	89,169	56,463
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	120	-
Total Revenues:		<u>78,262</u>	<u>244,799</u>	<u>56,463</u>
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	42,528	71,982	50,717
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		<u>42,528</u>	<u>71,982</u>	<u>50,717</u>
Excess (Deficiency) Revenues over Expenditures:		<u>35,734</u>	<u>172,817</u>	<u>5,746</u>
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	25,939	-
397	Transfers-In	-	10,000	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	-	-	-
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		<u>-</u>	<u>35,939</u>	<u>-</u>
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	210,114	-
591-593, 599	Debt Service	7,473	14,651	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>7,473</u>	<u>224,765</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		<u>28,261</u>	<u>(16,009)</u>	<u>5,746</u>
Ending Cash and Investments				
5081000	Reserved	-	26,015	24,769
5088000	Unreserved	<u>57,179</u>	<u>5,647</u>	<u>-</u>
Total Ending Cash and Investments		<u>57,179</u>	<u>31,662</u>	<u>24,769</u>

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	107 CRIMINAL JUSTICE FUND
Beginning Cash and Investments					
30810	Reserved	70,323	6,294	12,632	10,520
30880	Unreserved	41,514	14,691	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	175,573	140,034	13,895	21,644
320	Licenses and Permits	925	925	-	-
330	Intergovernmental Revenues	90,248	82,445	6,045	1,759
340	Charges for Goods and Services	223,349	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	5,717	5,632	-	-
Total Revenues:		495,813	229,036	19,940	23,403
Expenditures					
510	General Government	73,123	73,123	-	-
520	Public Safety	44,457	21,806	-	22,651
530	Utilities	164,146	-	-	-
540	Transportation	83,085	59,771	23,315	-
550	Natural and Economic Environment	290	290	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	7,987	7,987	-	-
Total Expenditures:		373,089	162,977	23,315	22,651
Excess (Deficiency) Revenues over Expenditures:		122,725	66,059	(3,375)	752
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	5,000	-	-	5,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		5,000	-	-	5,000
Other Decreases in Fund Resources					
594-595	Capital Expenditures	21,450	21,450	-	-
591-593, 599	Debt Service	31,374	-	-	-
597	Transfers-Out	5,000	5,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	74	74	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		57,899	26,524	-	-
Increase (Decrease) in Cash and Investments:		69,827	39,535	(3,375)	5,752
Ending Cash and Investments					
5081000	Reserved	71,175	606	9,258	16,272
5088000	Unreserved	110,488	59,913	-	-
Total Ending Cash and Investments		181,662	60,519	9,258	16,272

The accompanying notes are an integral part of this statement.

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

		<u>400 Water Fund</u>	<u>401 Sewer Fund</u>	<u>402 Garbage Collection Fund</u>
Beginning Cash and Investments				
30810	Reserved	-	26,015	14,861
30880	Unreserved	10,405	16,418	-
388 / 588	Prior Period Adjustments, Net	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	73,562	95,997	53,790
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	85	-
Total Revenues:		<u>73,562</u>	<u>96,082</u>	<u>53,790</u>
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	47,575	66,943	49,628
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		<u>47,575</u>	<u>66,943</u>	<u>49,628</u>
Excess (Deficiency) Revenues over Expenditures:		<u>25,987</u>	<u>29,139</u>	<u>4,162</u>
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:		<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources				
594-595	Capital Expenditures	-	-	-
591-593, 599	Debt Service	7,473	23,901	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		<u>7,473</u>	<u>23,901</u>	<u>-</u>
Increase (Decrease) in Cash and Investments:		18,514	5,238	4,162
Ending Cash and Investments				
5081000	Reserved	-	26,015	19,023
5088000	Unreserved	28,919	21,656	-
Total Ending Cash and Investments		28,919	47,671	19,023

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

		Private-Purpose Trust
		<hr/>
308	Beginning Cash and Investments	18,373
388 & 588	Prior Period Adjustment, Net	-
310-390	Additions	4,398
510-590	Deductions	1,331
		<hr/>
	Net Increase (Decrease) in Cash and Investments:	3,067
508	Ending Cash and Investments	21,440

The accompanying notes are an integral part of this statement.

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

		621 Utility Trust Fund
		<hr/>
308	Beginning Cash and Investments	17,962
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	-
380-390	Other Increases and Financing Sources	4,035
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	3,623
		<hr/>
	Net Increase (Decrease) in Cash and Investments:	412
508	Ending Cash and Investments	18,373

The accompanying notes are an integral part of this statement.

Town of Spangle
Notes to the Financial Statements
For the year ended December 31st, 2017

Note 1 - Summary of Significant Accounting Policies

The Town of Spangle was incorporated on 1888 and operates under the laws of the state of Washington applicable to a Mayor-Council form of government. The Town of Spangle is a general purpose local government and provides fire control and prevention services, street improvements, park and recreation facilities, general administration services, and water and sewer services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

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.

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

Agency Funds

The Town of Spangle holds these assets for the utilities deposit on behalf of the citizens in a custodial capacity in fund #621.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the Town of Spangle 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 Spangle adopts annual appropriated budgets for all 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 follows:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001- Current Expense	\$315,073	\$286,641	\$28,432
101- Street	\$42,230	\$40,718	\$1,512
107-Criminal	\$24,000	\$16,413	\$7,587
400 – Water Fund	\$61,465	\$50,002	\$11,463
401-Sewer Fund	\$315,332	\$296,747	\$18,585
402-Garbage	\$51,591	\$50,717	\$874
621-Utility Trust	\$2,500	\$1,331	\$1,169

Budgeted amounts are authorized to be transferred between 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 Spangle's legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

The Town has no formal capitalization policy.

F. Compensated Absences

Vacation leave may be accumulated up to 160 days and is payable upon separation or retirement. Sick leave may be accumulated up to 72 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. Accompanying Schedule 09 includes estimated tax burden of 7.65%.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

001 Current Expense~ \$8,606 reserved for audits.

101 Street Fund~ \$19,846 restricted fund

107 Criminal Justice~\$23,785 reserved for Spokane County Sheriff's Contract

401 Sewer Fund~\$26,015 restricted fund

402 Garbage Fund~\$24,769 restricted funds

621 Utility Deposit~\$21,440 reserved for utility deposit & refunds

Note 2 – Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the Town of Spangle or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2017 are as follows:

<u>Type of Investment</u>	<u>Town of Spangle's</u> own investments
L.G.I.P.	<u>\$ 23,158.70</u>
Total	<u>\$ 23,158.70</u>

Note 3 - Property Tax

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

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

The Town's regular levy for the year 2017 was \$2.91 per \$1,000 on an assessed valuation of \$15,287,254 for a total regular levy of \$44,636.79

The Town's Special Excess Police Levy for the year 2017 was \$1.19 per \$1,000 on assessed value for a special levy of \$17,000.00.

The Town's Special Excess Fire Levy for the year 2017 was \$1.50 per \$1,000 on assessed value for a

special levy of \$23,000.00.

Note 4 – Debt Service Requirements

Debt Service

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$6,660	\$2,072	\$8,732
2019	\$6,862	\$1,779	\$8,641
2020	\$7,311	\$1,421	\$8,732
2021	\$7,696	\$1,036	\$8,732
2022	\$8,097	\$634	\$8,731
2023-2027	\$3,330	\$922	\$4,252
2028-2032	\$3,680	\$572	\$4,252
2033-2037	\$3,641	\$185	\$3,826
TOTALS	<u>\$47,277</u>	<u>\$8,621</u>	<u>\$55,898</u>

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the Town of Spangle's 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 II.

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:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

At June 30, 2017 (the measurement date of the plans), the Town's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Employer Contributions	Allocation %	Liability (Asset)
PERS1/UAAL	%0.000615	\$29,182
PERS 2/3	%0.000791	\$27,483
Total		\$56,665

Note 6 – Risk Management

The Town of Spangle is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2017, 99 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) and pollution liability coverages are stand-alone policies, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits is provided through an excess liability policy purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The excess property coverage is purchased through Lexington Insurance Company and in 2017, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. All commercial policies have been purchased through the Pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

Note 7- Other Disclosures

- A. The Town of Spangle expects to have a loan through RCAC in the amount of \$24,000.00 in 2018 for the blower package for the WAS tank.
- B. The Town of Spangle has a contract with Spokane County Fire District #3 for fire services at a yearly cost of \$23,000.00
- C. The Town of Spangle has a contract with Spokane County Sheriff's Department for police services at a yearly cost of \$16,000.00.
- D. The Town of Spangle 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, 2017, 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, dental and vision insurance through the following carriers: Kaiser Permanente, 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 2017, 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 Kaiser 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.

Town of Spangle
Notes to the Financial Statements
For the year ended December 31st, 2016

Note 1 - Summary of Significant Accounting Policies

The Town of Spangle was incorporated on 1888 and operates under the laws of the state of Washington applicable to a Mayor-Council form of government. The Town of Spangle is a general purpose local government and provides fire control and prevention services, street improvements, park and recreation facilities, general administration services, and water and sewer services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

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.

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

Agency Funds

The Town of Spangle holds these assets for the utilities deposit on behalf of the citizens in a custodial capacity in fund #621.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the Town of Spangle 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 Spangle adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001- Current Expense	\$204,452	\$189,501	\$14,951
101- Street	\$24,600	\$23,315	\$1,285
107-Criminal	\$22,700	\$22,651	\$49
400 – Water Fund	\$63,424	\$55,048	\$8,376
401- Sewer Fund	\$110,903	\$90,844	\$20,059
402-Garbage	\$50,751	\$49,628	\$1,123
621-Utility Trust	\$3,800	\$3,623	\$177

Budgeted amounts are authorized to be transferred between 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 Spangle’s legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

The Town has no formal capitalization policy.

F. Compensated Absences

Vacation leave may be accumulated up to 160 days and is payable upon separation or retirement. Sick

leave may be accumulated up to 72 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Payments are recognized as expenditures when paid. Accompanying Schedule 09 includes estimated tax burden of 7.65%.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

The Town of Spangle is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2016, 98 municipalities/entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. For the first \$1 million in liability limits, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is reinsured by Berkley Public Entity for the additional \$750,000. The \$9 million in excess liability coverage limits, an excess liability policy is purchased from Argonaut Insurance Company. The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Allied World National Assurance Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2016, AWC RMSA carried a retention of \$100,000 and limits up to \$250 million. Since AWC RMSA is a cooperative program, there is joint liability among the participating members.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a

one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

I. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of:

001 Current Expense~ \$606 reserved for audits.

101 Street Fund~ \$9,258 restricted fund

107 Criminal Justice~\$16,272 reserved for Spokane County Sheriff's Contract

401~Sewer Fund~\$26,015 restricted funds

402 Garbage Fund~\$19,023 restricted funds

621 Utility Deposit~\$18,373 reserved for utility deposit & refunds

Note 2 – Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All investments are insured, registered or held by the Town of Spangle or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	<u>Town of Spangle's</u> own investments
L.G.I.P.	<u>\$22,937.01</u>
Total	<u>\$22,937.01</u>

Note 3 - Property Tax

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

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

The Town's regular levy for the year 2016 was \$2.89 per \$1,000 on an assessed valuation of \$15,038,803 for a total regular levy of \$43,556.60

The Town's Special Excess Police Levy for the year 2016 was \$1.19 per \$1,000 on assessed value for a special levy of \$17,000.00.

The Town's Special Excess Fire Levy for the year 2016 was \$1.50 per \$1,000 on assessed value for a special levy of \$23,000.00.

Note 4 – Debt Service Requirements

Debt Service

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$19,779	\$2,280	\$22,059
2018	\$5,598	\$1,875	\$7,473
2019	\$5,910	\$1,563	\$7,473
2020	\$6,236	\$1,237	\$7,473
2021	\$6,588	\$886	\$7,473
2022 – 2024	<u>\$9,297</u>	<u>\$649</u>	<u>\$9,946</u>
TOTALS	<u>\$53,408</u>	<u>\$8,490</u>	<u>\$61,897</u>

Note 5– Pension Plans

A. State Sponsored Pension Plans

Substantially all the Town of Spangle's 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 II.

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:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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

	Allocation %	Liability (Asset)
PERS 1/UAAL	0.000621	\$33,350.62
PERS 2/3	0.000795	\$40,027.62

Note 6 - Other Disclosures

- A. The Town of Spangle has a contract with Spokane County Fire District #3 for fire services at a yearly cost of \$23,000.00
- B. The Town of Spangle has a contract with Spokane County Sheriff's Department for police services at a yearly cost of \$16,000.00.
- C. The Town of Spangle 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.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	DOE	12/22/2017	14,542	-	14,542	-
263.62	INB	11/27/2022	38,866	-	5,302	33,564
259.12	Comp Abs Prop		1,543	783	-	2,326
264.30	Net Pension Liability		73,378	-	16,712	56,666
263.82	DOE Loan - WAS Tank	6/30/2037	-	13,713	-	13,713
Total Revenue and Other (non G.O.) Debt/Liabilities:			128,329	14,496	36,556	106,269
Total Liabilities:			128,329	14,496	36,556	106,269

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	DOE	12/22/2017	28,939	-	14,397	14,542
263.82	BFP	10/1/2016	9,029	-	9,029	-
263.82	INB	11/1/2020	43,920	-	5,054	38,866
259.12	Comp. Abs		1,911	-	368	1,543
264.30	Pernsion Liability		63,927	9,451	-	73,378
Total Revenue and Other (non G.O.) Debt/Liabilities:			147,726	9,451	28,848	128,329
Total Liabilities:			147,726	9,451	28,848	128,329

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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Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov