



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

# **Financial Statements Audit Report**

## **Town of Springdale**

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

**Published July 1, 2019**

**Report No. 1023996**





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

July 1, 2019

Mayor and Town Council  
Town of Springdale  
Springdale, Washington

**Report on Financial Statements**

Please find attached our report on the Town of Springdale'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

### **2017-001    The Town's internal controls over financial statement preparation were inadequate to ensure accurate financial reporting.**

#### ***Background***

Town management is responsible for designing, implementing and maintaining internal controls to ensure the financial statements are fairly presented, and to provide reasonable assurance regarding the reliability of financial reporting.

The Town prepares its financial statements in accordance with the cash basis of accounting, under the *Budgeting, Accounting and Reporting System* (BARS) manual. Our audit identified deficiencies in the Town's internal controls over financial reporting that hindered the Town's ability to produce reliable financial statements.

*Government Accounting Standards* requires the auditor to communicate significant deficiencies in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.

#### ***Description of Condition***

Prior audits identified deficiencies in internal controls that led to inaccurate financial reporting. Our current audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency:

- Town personnel responsible for compiling 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 on the financial statements and schedules agreed to 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*

Because of these deficiencies, our audit identified the following:

#### *Fiscal year 2016*

In the Fund Resources and Uses Arising from Cash Transactions, the Town:

- Understated:
  - Beginning cash and investments by \$6,158
  - Ending cash and investments by \$8,684
  - Revenues by \$2,394
- Overstated the unreserved portion of beginning cash and investments for the Sewer Fund by \$41,176 and understated the reserved portion by the same amount. This error was not corrected.

In the required supplementary information - Schedule of Liabilities, the Town:

- Understated net pension liability beginning balance by \$64,879 and net pension liability ending balance by \$6,470
- Incorrectly reported the balances for all five USDA loans, causing it to overstate the beginning and ending balances by \$8,639
- Overstated compensated absences ending balance by \$13,733

#### *Fiscal year 2017*

In the Fund Resources and Uses Arising from Cash Transactions, the Town:

- Overstated the beginning fund balances for the general fund by \$8,684 and the agency fund by \$1,759

In the required supplementary information - Schedule of Liabilities, the Town:

- Understated net pension liability beginning balance by \$74,415 and net pension liability ending balance by \$25,671

- Understated total liabilities beginning balance by \$121,916 and ending balance by \$117,727 because it did not include a USDA loan on the schedule
- Overstated the Drinking Water State Revolving Fund loan's ending balance by \$8,751
- Overstated compensated absences ending balance by \$12,119

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 except the one we noted above as uncorrected.

### ***Recommendations***

We recommend the Town strengthen internal controls and dedicate the resources necessary to ensure it can:

- Prepare timely and complete monthly reconciliations of the general ledger to the bank statements
- Ensure staff responsible for preparing financial statements have the necessary resources and training to prepare accurate and complete financial statements following reporting standards
- Conduct an effective, independent financial statement review that ensures the required financial statement package is accurate and meets reporting standards

### ***Town's Response***

*Town has adopted several policies to address all noted issues above; however this was completed in December 2017.*

*The uncorrected amount in the Sewer Fund of \$41,176 noted above was a transfer to the Sewer Reserve Fund. We have since changed the procedure to affect future transfers Town agrees with the finding listed above for the years of 2016-2017 Audit.*

### ***Auditor's Remarks***

We appreciate the steps the Town is taking to resolve this issue. We will review the status of the Town's corrective action during our next audit.

## ***Applicable Laws and Regulations***

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 Control Related Matters Identified in an Audit, paragraph 7.

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.

**Town of Springdale**  
**P.O. Box 220 N. 206 Second St.**  
**Springdale WA 99173**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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

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

<b>Audit Period:</b> January 1, 2015 - December 31, 2015	<b>Report Ref. No.:</b> 1019656	<b>Finding Ref. No.:</b> 2015-001
<b>Finding Caption:</b> The Town continued to lack adequate internal controls that ensure accurate and complete financial reporting.		
<b>Background:</b> The Town is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit indicated deficiencies in internal controls that adversely affected the Town's ability to produce reliable financial statements.  During the last six audits, we have communicated concerns to the Mayor and Town Council about the Town's internal controls over financial operations and reporting.		
<b>Status of Corrective Action: (check one)</b> <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		
<b>Corrective Action Taken:</b> <i>Town of Springdale Resolution 17-11 Financial Policy, Town of Springdale Resolution 17-05 Finance Committee has meet to review financial reports with the clerk as well as each meeting reports are given to all Council Members</i>		

<b>Audit Period:</b> January 1, 2015 - December 31, 2015	<b>Report Ref. No.:</b> 1019656	<b>Finding Ref. No.:</b> 2015-002
<b>Finding Caption:</b> The Town has not effectively managed its operations, resulting in a decline in its financial condition.		
<b>Background:</b> During the past three audits, we communicated financial concerns to the Town. The Town continues to report a deficit cash balance in the Current Expense Fund and did not establish a formal financial plan to address cash flow issues as recommended. Additionally, as indicated in finding 2015-001, the Town did not have adequate internal controls over financial accounting and reporting to effectively monitor its financial operations.		



**Status of Corrective Action: (check one)**☐ Fully  
Corrected☒ Partially  
Corrected☐ Not Corrected☐ Finding is considered no  
longer valid**Corrective Action Taken:**

*Budget cuts have happened; 2016 beginning cash for General Fund was (4331.42) Sewer (14697.93) 2016 Year End General Fund was 32,741.63 Sewer Fund 11,251.61 by year end of 2017 General Fund 61442.75 Sewer Fund 13721.89*

**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 Springdale  
January 1, 2016 through December 31, 2017**

Mayor and Town Council  
Town of Springdale  
Springdale, 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 Springdale, 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 May 17, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 to be a significant deficiency.

## 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy  
State Auditor  
Olympia, WA

May 17, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Town of Springdale January 1, 2016 through December 31, 2017**

Mayor and Town Council  
Town of Springdale  
Springdale, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Town of Springdale, 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 16.

#### **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 Springdale 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 Springdale, 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 Springdale, 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 May 17, 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.



Pat McCarthy

State Auditor

Olympia, WA

May 17, 2019

## **FINANCIAL SECTION**

### **Town of Springdale January 1, 2016 through December 31, 2017**

#### **FINANCIAL STATEMENTS**

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

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2017  
Schedule of Liabilities – 2016



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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Town Streets</b>	<b>401 Water</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	81,981	36,019	(339)	25,580
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	86,997	86,997	-	-
320	Licenses and Permits	8,278	8,278	-	-
330	Intergovernmental Revenues	78,763	17,790	6,654	54,320
340	Charges for Goods and Services	249,182	2,319	-	117,394
350	Fines and Penalties	1,930	1,004	-	927
360	Miscellaneous Revenues	9,859	317	-	730
Total Revenues:		435,009	116,704	6,654	173,371
<b>Expenditures</b>					
510	General Government	38,676	38,676	-	-
520	Public Safety	21,360	21,360	-	-
530	Utilities	205,384	-	-	89,054
540	Transportation	21,098	-	21,098	-
550	Natural and Economic Environment	15	15	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	6,741	6,741	-	-
Total Expenditures:		293,273	66,792	21,098	89,054
Excess (Deficiency) Revenues over Expenditures:		141,735	49,913	(14,444)	84,317
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	40,808	-	21,425	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	4,239	2,926	-	1,313
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		45,048	2,926	21,425	1,313
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	61,120	-	6,800	54,320
591-593, 599	Debt Service	55,460	-	-	40,005
597	Transfers-Out	40,808	21,425	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	26	26	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		157,414	21,450	6,800	94,325
<b>Increase (Decrease) in Cash and Investments:</b>		<b>29,368</b>	<b>31,389</b>	<b>181</b>	<b>(8,695)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	27,119	-	-	-
5088000	Unreserved	84,231	67,407	(159)	16,885
<b>Total Ending Cash and Investments</b>		<b>111,350</b>	<b>67,407</b>	<b>(159)</b>	<b>16,885</b>

The accompanying notes are an integral part of this statement.

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

<b>411 Sewer</b>	
	-
20,720	-
	-
	-
	-
129,469	-
	-
8,812	
<hr/>	<hr/>
138,281	
	-
	-
116,330	
	-
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	-
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116,330	
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21,951	
	-
19,384	
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	-
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19,384	
	-
15,455	
19,384	
	-
	-
	-
<hr/>	<hr/>
34,839	
<hr/>	<hr/>
<b>6,496</b>	
27,119	
97	
<hr/>	<hr/>
<b>27,216</b>	

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

		<b>Total for All Funds (Memo Only)</b>	<b>001 Current Expense</b>	<b>101 Town Streets</b>	<b>401 Water</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	69,859	(1,174)	(635)	45,223
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	85,770	85,770	-	-
320	Licenses and Permits	10,498	10,498	-	-
330	Intergovernmental Revenues	672,710	15,619	6,557	650,534
340	Charges for Goods and Services	228,833	1,625	-	106,968
350	Fines and Penalties	2,247	1,363	-	874
360	Miscellaneous Revenues	25,088	928	123	5,829
Total Revenues:		1,025,146	115,804	6,680	764,205
<b>Expenditures</b>					
510	General Government	21,011	21,011	-	-
520	Public Safety	47,424	47,424	-	-
530	Utilities	247,570	380	-	103,004
540	Transportation	13,305	-	13,305	-
550	Natural and Economic Environment	20	20	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	3,628	3,628	-	-
Total Expenditures:		332,958	72,463	13,305	103,004
Excess (Deficiency) Revenues over Expenditures:		692,188	43,340	(6,625)	661,201
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	984	980	-	-
381, 395, 398	Other Resources	7,168	-	7,168	-
Total Other Increases in Fund Resources:		8,151	980	7,168	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	650,710	-	-	650,710
591-593, 599	Debt Service	30,106	-	-	30,106
597	Transfers-Out	7,118	7,118	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	38	10	-	27
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		687,971	7,128	-	680,844
<b>Increase (Decrease) in Cash and Investments:</b>		<b>12,368</b>	<b>37,192</b>	<b>543</b>	<b>(19,643)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	81,981	36,019	(339)	25,580
<b>Total Ending Cash and Investments</b>		<b>81,981</b>	<b>36,019</b>	<b>(339)</b>	<b>25,580</b>

The accompanying notes are an integral part of this statement.

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

		<u>411 Sewer</u>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	26,446
388 / 588	Prior Period Adjustments, Net	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	120,239
350	Fines and Penalties	10
360	Miscellaneous Revenues	18,208
Total Revenues:		<u>138,457</u>
<b>Expenditures</b>		
510	General Government	-
520	Public Safety	-
530	Utilities	144,186
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>144,186</u>
Excess (Deficiency) Revenues over Expenditures:		(5,729)
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	4
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>4</u>
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		<u>-</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(5,726)</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	20,720
<b>Total Ending Cash and Investments</b>		<b><u>20,720</u></b>

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

	<b>Agency</b>
308 Beginning Cash and Investments	1,759
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	1,138
510-590 Deductions	3,102
Net Increase (Decrease) in Cash and Investments:	(1,964)
508 Ending Cash and Investments	(205)

*The accompanying notes are an integral part of this statement.*

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

		<b>631 Agency Funds</b>
		<hr/>
308	Beginning Cash and Investments	151
388 & 588	Prior Period Adjustments, Net	-
310-360	Revenues	233
380-390	Other Increases and Financing Sources	1,463
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	88
		<hr/>
	Net Increase (Decrease) in Cash and Investments:	1,608
508	Ending Cash and Investments	1,759

*The accompanying notes are an integral part of this statement.*

**Notes to the Financial Statements  
For the Year Ended December 31, 2017**

**Note 1 - Summary of Significant Accounting Policies**

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

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 financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using classifications defines in GAAP.

The Town of Springdale was incorporated on February 9, 1903 and operates under the laws of the state of Washington applicable to a City. The Town of Springdale is a general purpose government and provides Public Safety, Water Sewer and Computer Center. The Town of Springdale uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

**A. Fund Accounting**

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

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund**

This fund is the primary operating fund of the Town of Springdale. 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 Town of Springdale.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

FIDUCIARY FUND TYPES:

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

Agency Funds

These funds are used to account assets that Town of Springdale holds for others in an agency capacity.

B. Basis of Accounting

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

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

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

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

C. Budgets

RCW 35.33 requires towns to adopt an annual budget of receipts and expenditures and limit actual expenditure activity within these appropriated amounts. Additionally, Budgeting, Accounting and Reporting Standards manual requires a comparative analysis between final appropriated amounts and actual expenditures be disclosed in the annual report. The Town adopted budgeted for both revenue and expenditures during fiscal year 2017.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001-General	\$108,468.46	\$88,242.33	\$20,226.13
101-Town Street	\$18,794.33	\$27,897.89	(\$9,103.56)
401-Water	\$107,105.75	\$129,058.72	(\$21,952.97)
403 Drinking Water Capital	\$0	\$54,319.85	(\$54,39.85)



Facility/CDBG			
411-Sewer	\$115,872.56	\$151,168.67	(\$35,296.11)

Fund 101 Street expenditures exceeded the expected level due to TIB Street Light Grant that was not reimbursed in the same calendar year. Expenditures for this grant was not adopted in a budget amendment by the Town as required by law due to the Town was not aware that the invoice was not going to be Direct to TIB as the Town had not applied for this grant Avista and TIB did on behalf of Town of Springdale.

Fund 403 expenditures were funded entirely by a grant and loan these are retainage monies that should have been received in 2016. Although expenditures may exceed budget, they did not exceed approved funding through the Washington State Department of Commerce.

Fund 401 expenditures included \$40,005.21 mandatory debt service on the Drinking Water State Revolving Fund loan that was budgeted for.

Fund 411 expenditures including USDA RD Loan Payments of \$41,176.00 and emergency repair and maintenance to Lift Stations that was above the approved expenditures within the 2017 Budget.

D. Cash

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

E. Deposits

The Town of Springdale deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation.

F. Capital Assets

The Town does have a formal Capital threshold policy at this time Resolution 17-11 Financial Policy.

G. Compensated Absences

Vacation leave may not be accumulated from year to year unless circumstances prevent the employee from using it. The employee may buy out this after a year of accumulation. The Mayor must approve carryover of vacation. The Town of Springdale has a Personnel Policy Resolution 97-5 b adopted in March 2014; breaks down by year of employment for Vacation days as follows:

1 year employment: 40 hours vacation  
2-5 years of employment: 80 hours vacation  
5-10 years of employment: 120 hours vacation  
10+ years of employment: 160 hours vacation

Sick leave may be accumulated for one year. Employees may buy out unused sick leave after one year. Town of Springdale Personnel Policy Resolution 97-5 B adopted amendment in March 2014 states 8 hours per month.

Holiday paid days off per Town of Springdale Personnel Policy Resolution 97-5 B adopted amendment March 2014 lists the Federal Holidays with one Floating Holiday any full time employee after seven years on contentious employment receives an additional floating Holiday.

H. Long-Term Debt See Note 3, *Debt Service Requirements*.

I. Other Financing Sources or Uses

The Town of Springdale “*Other Financing Sources or Uses*” consist of operating transfers.

J. Risk Management

The Town of Springdale is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988, when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Since its inception over a hundred cities have joined the pool.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. The pool provides the following forms of group purchase insurance coverage for its members: Property, Liability, Vehicle Liability, Other Mobile Equipment, Boiler and Machinery, Bonds of various types, Excess Liability and Public Official Liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. A stop loss policy in the amount of \$500,000 is purchased to negate any liability for members for excessive losses.

Property insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the Pool is responsible for the remaining \$1,500.

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

Each new member now pays the pool an admittance fee. This amount covers the member’s share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before December 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. 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 a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Members file Claims with Association of Washington Cities., which has been contracted to perform pool administration, claims adjustment and administration, and loss prevention for the pool.

A board of directors that is comprised of one designated representative from each participating member governs the pool. A Management Committee of eleven members is selected by the membership from seven areas of the state on a staggered term basis and is responsible for conducting the business affairs of the Pool. The management Committee has contracted with Canfield & Associates, Inc. to perform day to day administration of the Pool. The Pool has no employees.

**K. Reserved Fund Balance**

Town of Springdale has Reserved Fund Balance for Sewer fund to cover the loan requirements for repayments of loans with USDA Rural Development. These reserved fund balance was as follows as of December 31, 2017:

Fund Number	Fund Name	Un Reserved Fund Balance
406	Sewer Long Term Debt Principal and Reserve	\$27,119.40

**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 after the end of each month.

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

The Town's regular levy for the year 2017 was \$1.877165 per thousand on an assessed value of \$10,822,302 for a total regular levy of \$ 20,315.25.

**Note 3 – Debt Service Requirements**

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

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

	Revenue Bonds (Sewer)	Other Debt (Water)	Total Debt
<b>2018</b>	<b>\$41,176</b>	<b>\$39,692.63</b>	<b>\$80,868.63</b>
<b>2019</b>	<b>\$41,176</b>	<b>\$39,380.10</b>	<b>\$80,556.10</b>

<b>2020</b>	<b>\$41,176</b>	<b>\$39,067.57</b>	<b>\$80,243.57</b>
<b>2021</b>	<b>\$41,176</b>	<b>\$38,755.03</b>	<b>\$79,931.03</b>
<b>2022</b>	<b>\$41,176</b>	<b>\$38,442.51</b>	<b>\$79,618.51</b>
<b>2023-2027</b>	<b>\$205,880</b>	<b>\$187,524.42</b>	<b>\$393,404.42</b>
<b>2028-2033</b>	<b>\$205,880</b>	<b>\$179,710.92</b>	<b>\$385,590.92</b>
<b>2034-2038</b>	<b>\$205,880</b>	<b>\$171,897.34</b>	<b>\$377,777.34</b>
<b>2039-2043</b>	<b>\$205,880</b>	<b>\$164,073.87</b>	<b>\$369,953.87</b>
<b>2044-2048</b>	<b>\$205,880</b>	<b>\$63,445.72</b>	<b>\$269,325.72</b>
<b>2049-2051</b>	<b>\$58,456</b>	<b>-</b>	<b>\$58,456.00</b>
<b>Totals</b>	<b>\$1,293,736.00</b>	<b>\$961,990.11</b>	<b>\$2,255,726.11</b>

#### **Note 4 - Pension Plans**

##### **A. State Sponsored Pension Plans(1)**

Substantially all Town of Springdale's full-time and qualifying part-time employees participate in 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 2 and LEOFF2.

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  
PO Box 48380  
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

***At June 30, 2017, the Town of Springdale proportionate share of the collective net pension liabilities AS REPORTED ON Schedule 09, as follows:***

	<b><i>Allocation %</i></b>	<b><i>Liability (Asset)</i></b>
<b><i>PERS 1</i></b>	<b><i>.00000651</i></b>	<b><i>\$30,890</i></b>
<b><i>PERS 2/3</i></b>	<b><i>.00000837</i></b>	<b><i>\$29,082</i></b>
<b><i>LEOFF2</i></b>	<b><i>.00000425</i></b>	<b><i>\$(5,898</i></b>

##### ***LEOFF Plan 2***

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

#### **Note 5- Other Disclosure**

December 2017 Former Marshal Michael Kessler filed a Tort Claim against the Town of Springdale for \$550,000 for wrongful termination.

November 2017 Washington State Auditor released Fraud Reports as well as sent to the Stevens County

Town of Springdale  
MCAG 0744

Prosecutor. Town Council and Mayor dispute the Fraud report.

June of 2017 the Town received notice that the Town is a listed Heir to Daryl Troutman Estate to be used after all his listed heirs had received their portion all remaining is left to the Town of Springdale to benefit the Parks and Children Activates

**Notes to the Financial Statements  
For Year Ended December 31, 2016**

**Note 1 - Summary of Significant Accounting Policies**

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

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**A. Fund Accounting**

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

**GOVERNMENTAL FUND TYPES:**

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**Special Revenue Funds**

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

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Enterprise Funds

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

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

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

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

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

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

C. Budgets

RCW 35.33 requires towns to adopt an annual budget of receipts and expenditures and limit actual expenditure activity within these appropriated amounts. Additionally, Budgeting, Accounting and Reporting Standards manual requires a comparative analysis between final appropriated amounts and actual expenditures be disclosed in the annual report. The Town adopted budgeted for both revenue and expenditures during fiscal year 2015.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001-General	\$116,485.84	\$79,591.11	\$36,894.73
101-Town Street	\$15,849.88	\$13,428.14	\$2,421.76
401-Water	\$116,994.02	\$113,395.13	\$3,598.89
411-Sewer	\$126,064.05	\$144,186.05	(18,122.00)
403 -CDBG	\$541,500	\$619,452.74	(128,952.74)

Fund 403 expenditures were funded entirely by a grant and loan. Although expenditures may exceed budget, they did not exceed approved funding through the Washington State Department of Commerce. Washington State Department of Commerce awarded a supplement grant to the Town of Springdale in May 2016 in the amount of \$171,300 to complete the Sewer Lift Stations upgrade.

D. Cash

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

E. Deposits

The Town of Springdale deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation.

F. Capital Assets

The Town does not have a formal Capital threshold policy at this time.

G. Compensated Absences

Town of Springdale Employee Policy 97-5 B and Resolution 04-03 Vacation Sick allow Buy Out of Accrual Leave

A. Sick Leave

All full-time employees shall accrue sick leave benefits at the rate of 8 hours for each calendar month of continuous employment. Temporary employees do not earn sick leave benefits. Employees do not earn sick leave benefits while in leave without pay status. Employees do not earn sick leave benefits, and may not use any earned but unused sick leave benefits, during a suspension without pay. Sick leave benefits not used during the calendar year in which they are earned may be carried over and used during the succeeding calendar years. Full-time employees may accumulate up to and including 90 working days of sick leave benefits. Such benefits may be carried over into successive calendar years so long as the employee remains employed by the Town. Employees who are promoted or who transfer to another department retain any accumulated sick leave benefits after transfer to their new position. Sick leave benefits shall be paid at the employee's regular rate of pay at the time the benefits are used. Sick leave pay shall be the amount the employee would have earned had he or she worked the regularly scheduled work day. Sick leave benefits may be used by eligible employees for any absence due to personal injury, illness or temporary disability which keeps the employee from performing the employee's regular duties, and for personal medical and dental appointments. Sick leave accrual shall not be used for non-medical leaves of absence. Sick leave benefits may not be used for any absences when the employee is entitled to receive compensation benefits under the Worker's Compensation Act. Sick leave benefits may be used for actual periods of temporary disability associated with pregnancy or childbirth. Payment of sick leave benefits is further conditioned upon the employee notifying his/her Department Head of the employee's absence(s). Failure to give the required notice may result in nonpayment of sick leave benefits for such absence(s). The employee shall be required to provide certification of illness or a written release to return to work from a qualified health care provider whenever requested by the employee's Department Head or the Mayor. The Town may require any employee returning after a prolonged absence to be examined by a qualified health care provider of the Town's choice at the Mayor's request. Any employee found to have abused sick leave privileges by falsification or misrepresentation shall be



subject to disciplinary action, including but not limited to reduction or elimination of sick leave benefits, repayment to the Town of any amounts paid to such employees for such periods of absence, or discharge. The Town does not grant advanced sick leave. Sharing of sick leave between employees shall be as permitted with written request approved by Mayor.

Town of Springdale Resolution 04-03 does allow employees to buy out unused sick time.

**B. Vacations**

Annual paid vacations shall be granted to all full-time employees. Paid vacation will be granted according to the following schedule:

1+ year of service-----40 hours/1 week

2-5 years of service -----80 hours/2 week

6-10 years of service-----120 hours/3 week

11+ years of service -----160 hours/4 week

The maximum number of vacation hours which may be carried over from December 31 of one year to January 1 of the next year is 120 hours.

Vacation time is scheduled by the Department Head at the convenience of the Town, but every effort will be made to accommodate employees' requests. Any conflict among employee requests will be resolved on the basis of the seniority and request date. The minimum increment in which vacation time may be taken is one hour. Employees do not earn vacation benefits, and may not use any earned but unused vacation benefits, during a suspension without pay.

Employees who resign or are laid off due to a reduction in force shall be paid for all accrued but unused vacation time as part of their final paycheck.

Town of Springdale Resolution 04-03 does allow employees to buy out unused vacation time.

**C. Holidays**

The Town observes the following holidays: New Year's Day, Martin Luther King, Jr.'s Birthday, Presidents Day (third Monday in February), Memorial Day (last Monday in May), Independence Day, Labor Day (first Monday in September), Veteran's Day, Thanksgiving and the day after Thanksgiving day, Christmas Day, and one floating holiday. **A second floating holiday will be provided to employees after 7 contiguous years of employment.**

**1. Observance of Holidays:** When a holiday occurs on Monday through Friday, the Town observes the date of the occurrence as the holiday. If a holiday falls on a Sunday, the following Monday shall be observed as a holiday. If a holiday falls on a Saturday, the preceding Friday shall be observed as a holiday. For employees whose regular days off are other than Saturday or Sunday, their first regular day off shall be considered a "Saturday" and their second regular day off shall be considered a "Sunday" for purposes of determining when their holiday shall be observed if a holiday falls on their regular day off.

H. Long-Term Debt See Note 3, *Debt Service Requirements*.

I. Other Financing Sources or Uses

The Town of Springdale "*Other Financing Sources or Uses*" consist of operating transfers.

J. Risk Management

The Town of Springdale is a member of the Cities Insurance Association of Washington. Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1,

1988, when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Since its inception over a hundred cities have joined the pool.

The pool allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. The pool provides the following forms of group purchase insurance coverage for its members: Property, Liability, Vehicle Liability, Other Mobile Equipment, Boiler and Machinery, Bonds of various types, Excess Liability and Public Official Liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carriers cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. A stop loss policy in the amount of \$500,000 is purchased to negate any liability for members for excessive losses.

Property insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the Pool is responsible for the remaining \$1,500.

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

Each new member now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before December 31 before terminating participation the following September 1. The Interlocal Governmental Agreement is renewed automatically each year. 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 a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Members file Claims with Association of Washington Cities., which has been contracted to perform pool administration, claims adjustment and administration, and loss prevention for the pool.

A board of directors that is comprised of one designated representative from each participating member governs the pool. A Management Committee of eleven members is selected by the membership from seven areas of the state on a staggered term basis and is responsible for conducting the business affairs of the Pool. The management Committee has contracted with Canfield & Associates, Inc. to perform day to day administration of the Pool. The Pool has no employees.

#### K. Reserved Fund Balance

Town of Springdale has Reserved Fund Balance for both Water Sewer Utility funds to cover the loan requirements for repayments of loans with USDA Rural Development and Drinking Water State Revolving Fund (DWSRF). DWSRF payment for 2016 was taken from the reserve Fund as there are no requirements to hold funds in a reserved line item. Town Council approved transferring \$31,674.94 from the USDA RD Reserve Fund to cover unexpected costs of development that was completed in 2016.

### **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 after the end of each month.

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

The Town's regular levy for the year 2016 was \$1.8951200 per thousand on an assessed value of \$10,681,934 for a total regular levy of \$ 20,243.55.

### **Note 3 – Debt Service Requirements**

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

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

	<b>Revenue Bonds (Sewer)</b>	<b>Other Debt (Water)</b>	<b>Total Debt</b>
<b>2017</b>	<b>\$41,176</b>	<b>\$40,005.21</b>	<b>\$81,181.21</b>
<b>2018</b>	<b>\$41,176</b>	<b>\$39,692.63</b>	<b>\$80,868.63</b>
<b>2019</b>	<b>\$41,176</b>	<b>\$39,380.10</b>	<b>\$80,556.10</b>
<b>2020</b>	<b>\$41,176</b>	<b>\$39,067.57</b>	<b>\$80,243.57</b>
<b>2021</b>	<b>\$41,176</b>	<b>\$37,755.03</b>	<b>\$78,931.03</b>
<b>2022-2026</b>	<b>\$205,880</b>	<b>\$189,087.13</b>	<b>\$394,967.13</b>
<b>2027-2031</b>	<b>\$205,880</b>	<b>\$181,273.59</b>	<b>\$387,153.59</b>
<b>2032-2036</b>	<b>\$205,880</b>	<b>\$173,460.12</b>	<b>\$379,340.12</b>
<b>2037-2041</b>	<b>\$205,880</b>	<b>\$165,546.61</b>	<b>\$371,426.61</b>
<b>2042-2046</b>	<b>\$205,880</b>	<b>\$95,637.43</b>	<b>301,517.43</b>
<b>2047-5051</b>	<b>\$58,456</b>	<b>-</b>	<b>\$58,456.00</b>
<b>Totals</b>	<b>\$1,129,032</b>	<b>\$1,000,905.42</b>	<b>\$2,294,641.42</b>

### **Note 4 - Pension Plans**

#### **A. State Sponsored Pension Plans(1)**

Substantially all Town of Springdale's full-time and qualifying part-time employees participate in 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 2 and LEOFF2.

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

Town of Springdale  
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financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
PO Box 48380  
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2016, the Town of Springdale proportionate share of the collective net pension liabilities AS REPORTED ON Schedule 09, as follows:

	Allocation %	Liability (Asset)
PERS 1	.0000063	\$33,834
PERS 2/3	.00000806	\$40,581
LEOFF2	.00001114	(6, 470)

**LEOFF Plan 2**

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

**Note 5 - Other Disclosures**

General Fund has significant strides in 2016 Actual beginning balance from the Vision Software report Cash and Investments Fiscal totals show beginning balance (\$1,174.46) which on its own was great improvement from the 2015 Beginning balance (\$18,129.42) to year end same report showing \$36,019.16. There was a decrease in Marshal Wages due to one Marshal being dismissed from service in February 2016 and new appointment Marshal in late March at a lower wage scale until completion of Basic Academy as well as Marshal being placed on Medical Leave in October to year end for this report. The General Fund also has been supporting a Community Computer Center that had very low income and high expenditures. The Mayor and Council choose to close the only avenue the community had to free internet service at this time. We are actively looking for potential revenue sources from the county, grants or to rent the Building.

General Fund also did a transfer of \$7,117.55 in the month of November to offset Street Fund ending Fund numbers as allowable by law.

The Town was awarded CDBG Grant monies to upgrade the two smaller sewer lift stations first grant was awarded in October 2014 in the amount of \$541,500 however the project construction did not start until late summer of 2016. In addition to the delay the Town had to request and additional supplement grant in the amount of \$171,300 which was awarded in May 2016. The project is not complete at year end of 2016.

There were some non budgeted costs to both the Water Fund and Sewer Fund due to a development of property within the Town as the Water and Sewer lines did not go to the property in question and per ordinances at that time stated the owner was responsible to the property line not the service line, this however has been amended to say development costs go to the developer. Ordinance 368 A Sewer final read was completed July 25, 2016 Ordinance 366 Aaa final read was read on August 8, 2016. The Mayor hired an outside contractor to complete the project due to the Town not having the correct equipment to complete this correctly.

There was also prior to construction of the Sewer Lift Stations upgrade equipment failure which accrued

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unbudgeted costs however by the Cash and Investment Activity Report out of the vision software the ending fund balance after the transfer is \$20,720.44.

The Town Council has added the charge of Sewer Reserve back to the Utility Billings and a fee of \$2.10 for up to nine years this is based off 142 EDU's to pay the \$31,674.94 transfer. Revenues from this line item will be transfer quarterly.

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.81	Sewer Loan-USDA RD	6/11/2051	301,310	-	4,887	296,423
263.81	Sewer Loan-USDA RD	11/15/2051	85,608	-	1,846	83,762
263.81	Sewer Loan- USDA RD	10/11/2035	121,916	-	4,189	117,727
263.81	Sewer Loan-USDA	10/11/2035	157,732	-	5,417	152,315
263.83	Water Loan-DWSRF	10/1/2044	875,114	-	31,254	843,860
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,541,680</b>	<b>-</b>	<b>47,593</b>	<b>1,494,087</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.30	Pension Liabilities		74,415	-	14,443	59,972
259.12	Compensated Absences	12/31/2017	5,065	-	5,065	-
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>79,480</b>	<b>-</b>	<b>19,508</b>	<b>59,972</b>
<b>Total Liabilities:</b>			<b>1,621,160</b>	<b>-</b>	<b>67,101</b>	<b>1,554,059</b>

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
263.81	Sewer Loan USDA RD	6/11/2051	306,043	-	4,734	301,309
263.81	Sewer Loan USDA RD	11/15/2051	87,400	-	1,792	85,608
263.81	Sewer Loan USDA RD	10/11/2035	162,913	-	5,181	157,732
263.81	Sewer Loan USDA RD	10/11/2035	125,922	-	4,006	121,916
263.81	Water Loan DWSRF	10/1/2044	906,368	-	31,254	875,114
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,588,646</b>	<b>-</b>	<b>46,967</b>	<b>1,541,679</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.30	Pension Liabilities		64,879	9,536	-	74,415
259.12	Compensated Absences		-	5,065	-	5,065
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>64,879</b>	<b>14,601</b>	<b>-</b>	<b>79,480</b>
<b>Total Liabilities:</b>			<b>1,653,575</b>	<b>14,601</b>	<b>46,967</b>	<b>1,621,209</b>

## 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>