



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Town of Coupeville

For the period January 1, 2020 through December 31, 2021

Published January 26, 2023

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

January 26, 2023

Mayor and Town Council
Town of Coupeville
Coupeville, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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 Coupeville January 1, 2020 through December 31, 2021

Mayor and Town Council
Town of Coupeville
Coupeville, 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 Coupeville, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated January 20, 2023.

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 state law 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.

REPORT ON 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) as a basis for designing 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 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.

Our consideration of internal control was for the limited purpose described above 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.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

January 20, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Town of Coupeville January 1, 2020 through December 31, 2021

Mayor and Town Council
Town of Coupeville
Coupeville, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Town of Coupeville, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the financial section of our report.

Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Town has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Town of Coupeville, and its changes in cash and investments, for the years ended December 31, 2021 and 2020, on the basis of accounting described in Note 1.

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 Coupeville, as of December 31, 2021 and 2020, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the Town in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management 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 state law and the BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. 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 20, 2023 on our consideration of the Town's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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 black ink, reading "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

January 20, 2023

FINANCIAL SECTION

Town of Coupeville January 1, 2020 through December 31, 2021

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2021
Fund Resources and Uses Arising from Cash Transactions – 2020
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
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Notes to Financial Statements – 2021
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2021
Schedule of Liabilities – 2020

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	104 Hotel/motel Tax Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	5,726,576	3,125,164	(188,577)	77,027
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,581,309	1,519,595	-	61,714
320	Licenses and Permits	121,891	121,891	-	-
330	Intergovernmental Revenues	658,560	328,676	244,389	-
340	Charges for Goods and Services	1,764,935	99,184	-	-
350	Fines and Penalties	1,350	1,350	-	-
360	Miscellaneous Revenues	48,030	29,856	6,453	91
Total Revenues:		4,176,075	2,100,552	250,842	61,805
Expenditures					
510	General Government	461,105	461,105	-	-
520	Public Safety	548,261	546,477	-	-
530	Utilities	1,314,216	55,371	-	-
540	Transportation	100,766	-	100,766	-
550	Natural/Economic Environment	358,372	302,829	-	55,543
560	Social Services	426	426	-	-
570	Culture and Recreation	140,854	140,854	-	-
Total Expenditures:		2,924,000	1,507,062	100,766	55,543
Excess (Deficiency) Revenues over Expenditures:		1,252,075	593,490	150,076	6,262
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	18,000	-	18,000	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	7,351	2,151	-	-
Total Other Increases in Fund Resources:		25,351	2,151	18,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,079,071	21,175	177,006	-
591-593, 599	Debt Service	143,137	10,560	-	-
597	Transfers-Out	18,000	18,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	27	27	-	-
Total Other Decreases in Fund Resources:		1,240,235	49,762	177,006	-
Increase (Decrease) in Cash and Investments:		37,191	545,879	(8,930)	6,262
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	942,998	722,274	-	83,288
50841	Committed	1,810,286	-	-	-
50851	Assigned	579,222	320,000	-	-
50891	Unassigned	2,431,267	2,628,774	(197,507)	-
Total Ending Cash and Investments		5,763,773	3,671,048	(197,507)	83,288

The accompanying notes are an integral part of this statement.

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		106 Drug Enforcement Fund/dare	107 Harbor Improvements	109 Park Impact Fee Fund	410 Water Utility
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,783	35,665	797	1,469,862
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	3,531	-	68,205
340	Charges for Goods and Services	-	-	-	734,796
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1	30	-	10,711
Total Revenues:		1	3,561	-	813,712
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	1,784	-	-	-
530	Utilities	-	-	-	611,052
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		1,784	-	-	611,052
Excess (Deficiency) Revenues over Expenditures:		(1,783)	3,561	-	202,660
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	5,200
Total Other Increases in Fund Resources:		-	-	-	5,200
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	5	-	489,326
591-593, 599	Debt Service	-	-	-	15,064
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	5	-	504,390
Increase (Decrease) in Cash and Investments:		(1,783)	3,556	-	(296,530)
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	797	15,065
50841	Committed	-	-	-	1,058,268
50851	Assigned	-	39,222	-	100,000
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	39,222	797	1,173,333

The accompanying notes are an integral part of this statement.

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		420 Utilities Sewer	430 Storm Water Utility
Beginning Cash and Investments			
308	Beginning Cash and Investments	855,240	349,615
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	1,229	12,530
340	Charges for Goods and Services	774,845	156,110
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	636	252
Total Revenues:		776,710	168,892
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	529,737	118,056
540	Transportation	-	-
550	Natural/Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		529,737	118,056
Excess (Deficiency) Revenues over Expenditures:		246,973	50,836
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
Other Decreases in Fund Resources			
594-595	Capital Expenditures	311,089	80,470
591-593, 599	Debt Service	117,513	-
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		428,602	80,470
Increase (Decrease) in Cash and Investments:		(181,629)	(29,634)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	121,574	-
50841	Committed	452,036	299,982
50851	Assigned	100,000	20,000
50891	Unassigned	-	-
Total Ending Cash and Investments		673,610	319,982

The accompanying notes are an integral part of this statement.

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	001 General Fund	101 Street Fund	104 Hotel/motel Tax Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	5,691,684	2,334,277	267,032	75,590
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	1,453,554	1,416,408	-	37,146
320	Licenses and Permits	107,129	107,129	-	-
330	Intergovernmental Revenues	358,228	192,971	160,423	-
340	Charges for Goods and Services	1,805,624	230,172	-	-
350	Fines and Penalties	1,936	1,936	-	-
360	Miscellaneous Revenues	52,662	35,114	1,142	380
Total Revenues:		3,779,133	1,983,730	161,565	37,526
Expenditures					
510	General Government	738,079	738,079	-	-
520	Public Safety	640,998	640,998	-	-
530	Utilities	1,094,603	34,720	-	-
540	Transportation	98,659	-	98,659	-
550	Natural/Economic Environment	269,922	233,832	-	36,090
560	Social Services	552	552	-	-
570	Culture and Recreation	109,347	109,347	-	-
Total Expenditures:		2,952,160	1,757,528	98,659	36,090
Excess (Deficiency) Revenues over Expenditures:		826,973	226,202	62,906	1,436
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	575,095	575,095	-	-
381, 382, 389, 395, 398	Other Resources	2,803	2,803	-	-
Total Other Increases in Fund Resources:		577,898	577,898	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	649,142	50	518,513	-
591-593, 599	Debt Service	143,159	10,581	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	575,095	-	-	-
581, 582, 589	Other Uses	2,586	2,586	-	-
Total Other Decreases in Fund Resources:		1,369,982	13,217	518,513	-
Increase (Decrease) in Cash and Investments:		34,889	790,883	(455,607)	1,436
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	936,737	722,274	-	77,027
50841	Committed	-	-	-	-
50851	Assigned	577,448	320,000	-	-
50891	Unassigned	4,212,391	2,082,890	(188,577)	-
Total Ending Cash and Investments		5,726,576	3,125,164	(188,577)	77,027

The accompanying notes are an integral part of this statement.

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		105 REET	106 Drug Enforcement Fund/dare	107 Harbor Improvements	109 Park Impact Fee Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	575,095	1,775	30,736	797
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	4,834	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	8	154	-
Total Revenues:		-	8	4,988	-
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		-	8	4,988	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	60	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	575,095	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		575,095	-	60	-
Increase (Decrease) in Cash and Investments:		(575,095)	8	4,928	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	797
50841	Committed	-	-	-	-
50851	Assigned	-	1,783	35,665	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		-	1,783	35,665	797

The accompanying notes are an integral part of this statement.

Town of Coupeville
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		<u>410 Water Utility</u>	<u>420 Utilities Sewer</u>	<u>430 Storm Water Utility</u>
Beginning Cash and Investments				
308	Beginning Cash and Investments	1,372,378	722,711	311,293
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	-	-
340	Charges for Goods and Services	681,760	739,925	153,767
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	10,020	4,135	1,709
Total Revenues:		691,780	744,060	155,476
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	470,648	480,540	108,695
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		470,648	480,540	108,695
Excess (Deficiency) Revenues over Expenditures:		221,132	263,520	46,781
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		-	-	-
Other Decreases in Fund Resources				
594-595	Capital Expenditures	108,582	13,478	8,459
591-593, 599	Debt Service	15,064	117,514	-
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		123,646	130,992	8,459
Increase (Decrease) in Cash and Investments:		97,486	132,528	38,322
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	15,065	121,574	-
50841	Committed	-	-	-
50851	Assigned	100,000	100,000	20,000
50891	Unassigned	1,354,797	633,666	329,615
Total Ending Cash and Investments		1,469,862	855,240	349,615

The accompanying notes are an integral part of this statement.

Town of Coupeville
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2021

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	8,459	7,038	1,421
388 & 588	Net Adjustments	-	-	-
310-390	Additions	6,586	5	6,581
510-590	Deductions	4,707	-	4,707
	Net Increase (Decrease) in Cash and Investments:	1,879	5	1,874
508	Ending Cash and Investments	10,337	7,043	3,294

The accompanying notes are an integral part of this statement.

Town of Coupeville
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2020

		Total for All Funds (Memo Only)	Private-Purpose Trust	Custodial
308	Beginning Cash and Investments	8,419	7,005	1,414
388 & 588	Net Adjustments	-	-	-
310-390	Additions	39	32	7
510-590	Deductions	-	-	-
	Net Increase (Decrease) in Cash and Investments:	39	32	7
508	Ending Cash and Investments	8,459	7,038	1,421

The accompanying notes are an integral part of this statement.

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2021

Note 1 - Summary of Significant Accounting Policies

The Town of Coupeville was incorporated in April 1910 and operates under the laws of the State of Washington applicable to a Town with a Mayor-Council form of government. The Town of Coupeville is a general-purpose local government and provides public safety, planning, street improvements, parks, utilities, and general administrative services.

The Town 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. (see note to 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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund (001)

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 (101, 104, 106, 107, 108)

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

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2021

PROPRIETARY FUND TYPES:

Enterprise Funds (410, 420, 430)

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 a custodian on behalf of others.

Private-Purpose Trust Funds - 621

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

The Town has a trust established for the Community Commemorative Fund, utilizing fund 621.

Custodial Funds - 631

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

The Town utilizes an agency fund for the Cafeteria Fund, established for employee medical benefits.

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

C. Cash and Investments

See Note 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 2 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon death or retirement employees do receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid.

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2021

F. Long-Term Debt

See Note 5 - *Long-Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Coupeville Town Council. When expenditures that meet restrictions are incurred, the Town of Coupeville intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

- General Fund –
 - Committed by Coupeville Town Council:
 - as minimum balance (\$300,000)
 - for unemployment liability (\$20,000)
 - CIP/REET – restricted by RCW 82.46.030 (\$869,551)
- Hotel/Motel Tax Fund – restricted by RCW 36.100 (\$83,288)
- Harbor Improvements – committed by Coupeville Town Council to Boat Launch Improvements (\$39,222)
- Park Impact Fund – restricted by RCW 82.02.050-090 (\$797)
- Water Utility Fund:
 - Committed by Coupeville Town Council as a minimum balance (\$100,000)
 - Restricted by loan covenants (\$15,065)
- Sewer Utility Fund:
 - Committed by Coupeville Town Council as a minimum balance (\$100,000)
 - Restricted by loan covenants (\$121,574)
- Storm Water Utility Fund:
 - Committed by Coupeville Town Council as a minimum balance (\$20,000)

Note 2 - Budget Compliance

A. Budgets

The Town of Coupeville adopts annual appropriated budgets for governmental, proprietary, and fiduciary 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:

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2021

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
001 – General Fund	\$ 1,937,441	\$ 1,556,824	\$380,617
101 – Street Fund	\$698,266	\$ 277,772	\$420,494
104 – Hotel/Motel Tax	\$55,753	\$ 55,543	\$210
106 – Drug Enforcement	\$1,785	\$1,784	1
107 – Harbor	\$33,870	\$0	\$33,870
109 – Park Impact Fee	\$0	\$0	\$0
410 – Water Utility	\$2,413,969	\$ 1,115,442	\$1,298,527
420 – Sewer Utility	\$2,701,535	\$ 958,339	\$1,743,196
430 – Storm Water Utility	\$250,956	\$ 198,526	\$52,430
621 – Commemorative	\$7,550	\$0	\$7,550
631 - Cafeteria	\$14,400	\$ 4,707	\$9,693

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town of Coupeville’s legislative body.

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

In 2021 the Town of Coupeville continued to modify its processes and procedures to accommodate the need for an increase in remote work by staff and electronic transactions with customers.

Note 4 – Deposits and Investments

Investments are reported at original cost. Investments by type at December 31, 2021 are as follows:

Type of deposit or investment	Town’s own deposits and investments	Deposits and investments held by the Town as custodian for individuals.	Total
Bank deposits	\$ 1,148,773	\$10,337	\$1,159,110
Local Government Investment Pool	\$ 4,615,000		\$4,615,000
Total	\$5,763,773	\$10,337	\$5,774,110

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2021

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

Investments in the State Local Government Investment Pool (LGIP)

The Town is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Town would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The Town's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the Town or its agent in the government's name.

Note 5 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Town and summarizes the Town's debt transactions for year ended December 31, 2021.

The debt service requirements for general obligation bonds and revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 118,904	\$ 24,234	\$ 143,138
2023	\$ 119,792	\$ 23,346	\$ 143,138
2024	\$ 116,037	\$ 22,408	\$ 138,445
2025	\$ 174,931	\$ 32,197	\$ 207,128
2026	\$ 34,797	\$ 23,645	\$ 58,442
2027-2031	\$ 93,416	\$ 105,355	\$ 198,770
TOTALS	\$ 657,876	\$ 231,184	\$ 889,060

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2021

Note 6 – Other Disclosures

- Schedule 09 – clarification for Compensated Absence liabilities reported. The total compensated absence being reported assumes that not all employees will retire with the Town. The Town's personnel policies provide for a 25% buyout of sick leave upon death or retirement only. When an employee approaches retirement age, the calculation will reflect the potential for a sick leave buyout.
- The Coupeville Town Council authorized expenditures related to TIB Grants in Fund 101 Street, and a FEMA grant to move water main lines in Fund 410 Water Utility during the 2019 fiscal year. These projects continue to carry forward and have not incurred material expenses in 2021. The result is a substantial reduction in actual expenditures in these two funds than the budgeted amounts.
- The Coupeville Town Council authorized expenditures associated with a sewer line extension on Parker Road, with the condition of a grant award. The Town did not receive a grant award for this project in 2021, and the project has been postponed, resulting in a substantial reduction of actual expenses compared to the 2021 budget.
- The Town had turnover in a key position during this reporting period. The Fiscal Clerk was replaced in November 2021, and is not fully trained.
- Extraordinary Event – Street Fund, fund balance fell into the negative in and for a number of reasons remained in the negative throughout 2021. Reimbursements from the Transportation Improvement Board have been received and the fund balance is currently \$386,166.

Note 7 – Pension Plans

A. State Sponsored Pension Plans

Substantially all of the Town of Coupeville'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 1 and PERS 2/3.

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:

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2021

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, 2021, the town's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$43,948	0.005900 %	\$72,053
PERS 2/3	\$71,760	0.007575%	(\$754,592)

Note 8 - 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 the Town of Coupeville. 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 2021 was \$1.10 per \$1,000 on an assessed valuation of \$407,464,380 for a total regular levy of \$ 415,379.

Note 9 – Risk Management

The Town of Coupeville is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, with \$25,000 deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2021

benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimit. The Board of Directors determines the limits and terms of coverage annually. Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimit. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimit.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

Note 1 - Summary of Significant Accounting Policies

The Town of Coupeville was incorporated in April 1910 and operates under the laws of the State of Washington applicable to a Town with a Mayor-Council form of government. The Town of Coupeville is a general-purpose local government and provides public safety, planning, street improvements, parks, utilities, and general administrative services.

The Town 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:

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- 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

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GOVERNMENTAL FUND TYPES:

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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 (101, 104, 106, 107, 108)

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

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

PROPRIETARY FUND TYPES:

Enterprise Funds (410, 420, 430)

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 a custodian on behalf of others.

Private-Purpose Trust Funds - 621

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

The Town has a trust established for the Community Commemorative Fund, utilizing fund 621.

Custodial Funds - 631

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

The Town utilizes an agency fund for the Cafeteria Fund, established for employee medical benefits.

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

C. Cash and Investments

See Note 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 2 years. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon death or retirement employees do receive payment for 25% of unused sick leave. Payments are recognized as expenditures when paid.

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

F. Long-Term Debt

See Note 5 - *Long-Term Debt*.

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the Coupeville Town Council. When expenditures that meet restrictions are incurred, the Town of Coupeville intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

- General Fund –
 - Committed by Coupeville Town Council:
 - as minimum balance (\$300,000)
 - for unemployment liability (\$20,000)
 - CIP/REET Fund – restricted by RCW 82.46.030 (\$722,274)
- Street Fund – committed by Coupeville Town Council to Street Repairs and Improvement (-\$188,577)
- Hotel/Motel Tax Fund – restricted by RCW 36.100 (\$75,590)
- Drug Enforcement – committed by Coupeville Town Council to Drug Education (\$1,783)
- Harbor Improvements – committed by Coupeville Town Council to Boat Launch Improvements (\$35,665)
- Park Impact Fund – restricted by RCW 82.02.050-090 (\$797)
- Water Utility Fund:
 - Committed by Coupeville Town Council as a minimum balance (\$100,000)
 - Restricted by loan covenants (\$15,065)
- Sewer Utility Fund:
 - Committed by Coupeville Town Council as a minimum balance (\$100,000)
 - Restricted by loan covenants (\$121,574)
- Storm Water Utility Fund:
 - Committed by Coupeville Town Council as a minimum balance (\$20,000)

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

Note 2 - Budget Compliance

A. Budgets

The Town of Coupeville adopts annual appropriated budgets for governmental, proprietary, and fiduciary 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 – General Fund	\$2,149,872	\$1,770,745	\$379,127
101 – Street Fund	\$1,644,844	\$617,172	\$1,027,672
104 – Hotel/Motel Tax	\$71,600	\$36,090	\$35,510
105 – CIP/REET	\$25,239	\$0	\$25,239
106 – Drug Enforcement	\$1,754	\$0	\$1,754
107 – Harbor	\$33,305	\$60	\$33,245
109 – Park Impact Fee	\$0	\$0	\$0
410 – Water Utility	\$2,124,213	\$594,294	\$1,529,919
420 – Sewer Utility	\$1,267,533	\$611,532	\$656,001
430 – Storm Water Utility	\$228,675	\$117,154	\$111,521
621 – Commemorative	\$7,968	\$0	\$7,968
631 - Cafeteria	\$5,330	\$0	\$5,330

Budgeted amounts are authorized to be transferred between departments within any fund/object classes within departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Town of Coupeville's legislative body.

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Town Hall was closed to the public for a period of time, and staff worked remotely. During this time, the Town was unable to adhere to all of our internal audit procedures. However, all financial transactions have been audited by at least one other knowledgeable staff member. The Town of Coupeville has a very small staff and both members of the financial team were directly impacted by COVID for a number of weeks. We are confident there are no material errors as a result of this hardship.

While staff are back to work on-site, and Town Hall is currently open, there is potential for another shutdown with remote working conditions. Therefore, the length of time these measures will continue to be necessary, and the full extent of the financial impact on the Town is unknown at this time.

Note 4 – Deposits and Investments

Investments are reported at original cost. Investments by type at December 31, 2020 are as follows:

Type of deposit or investment	Town's own deposits and investments	Deposits and investments held by the Town as custodian for individuals.	Total
Bank deposits	\$ 1,030,361	\$8,459	\$1,038,820
Local Government Investment Pool	\$ 4,696,215		\$ 4,696,215
Total	\$5,726,576	\$8,459	\$5,735,035

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

Investments in the State Local Government Investment Pool (LGIP)

The Town is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Town would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The Town's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

All investments are insured, registered or held by the Town or its agent in the government's name.

Note 5 – Long-Term Debt *(formerly Debt Service Requirements)*

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Town and summarizes the Town's debt transactions for year ended December 31, 2020.

The debt service requirements for general obligation bonds and revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 117,213	\$ 25,925	\$ 143,138
2022	\$ 117,997	\$ 25,140	\$ 143,138
2023	\$ 118,824	\$ 24,313	\$ 143,138
2024	\$ 116,037	\$ 23,441	\$ 139,478
2025	\$ 174,931	\$ 32,197	\$ 207,128
2026-2030	\$ 108,913	\$ 108,545	\$ -
TOTALS	<u>\$ 753,914</u>	<u>\$ 239,563</u>	<u>\$ 776,019</u>

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all of the Town of Coupeville'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 1 and PERS 2/3.

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

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

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, 2020 (the measurement date of the plans), the (city/county/district's) proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$39,616.69	0.005466 %	\$192,979
PERS 2/3	\$65,909.40	0.007154 %	\$91,496

Note 7 - Property Tax

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

Property tax revenues are recognized when cash is received by the Town of Coupeville. 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 2020 was \$1.14 per \$1,000 on an assessed valuation of \$409,796,352 for a total regular levy of \$397,996.

Note 8 – Risk Management

The Town of Coupeville is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 162 members.

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles (claim deductibles are \$25,000). Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

Note 9 – Other Disclosures

- Schedule 09 – clarification for Compensated Absence liabilities reported. The total compensated absence being reported assumes that not all employees will retire with the Town. The Town's personnel policies provide for a 25% buyout of sick leave upon death or retirement only. When an employee approaches retirement age, the calculation will reflect the potential for a sick leave buyout.
- The Coupeville Town Council authorized expenditures related to TIB Grants in Fund 101 Street, and a FEMA grant to move water main lines in Fund 410 Water Utility during the 2019 fiscal year. None of these projects incurred any material costs in 2019 or 2020, and

Town of Coupeville
Notes to the Financial Statements
For the year ended 12/31/2020

have been reauthorized for the fiscal year 2021. The result is a substantial reduction in actual expenditures in these two funds than the budgeted amounts.

- The Town had turnover in a key position during this reporting period. The Utility Clerk position was vacant from October 2020 until late November 2020. The new Utility Clerk is not fully trained.
- Extraordinary Event – Street Fund, fund balance fell into the negative due to a late invoice for TIB Grant related work from Island County, and inadequate planning by management. 2020 was an unusual year due to COVID related working conditions, procedural changes, and unusual grant activity. Management did not have a mechanism in place to identify outstanding contractual obligations that might be fully or partially funded through a grant reimbursement process, which in turn affected revenues and overall fund balance. As a result, the December 2020 payment to Island County, for street work completed earlier in the year, did not arrive in time to request reimbursement during the 2020 fiscal year. The General Fund is a primary revenue source for the Street Fund, and Council have agreed (in 2017) to transfer any necessary funds (as long as the minimum balance remains in the General Fund) to cover expenses related to TIB Grant street work. Management has created a Master list of grants, including columns for award, expenditure, and project progress; which will be reviewed monthly during reconciliation. This tool will allow management to identify when there is potential for this situation to arise again. The procedural remedy for this condition will be to request Council to authorize an interfund loan from the General Fund.

**Town of Coupeville
Schedule of Liabilities
For the Year Ended December 31, 2021**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Debt -Ciarolo Property	9/15/2023	37,203	-	8,546	28,657
	Total General Obligation Debt/Liabilities:		37,203	-	8,546	28,657
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2015 USDA Rev Bond	5/1/2055	216,601	-	9,171	207,430
252.11	2017 USDA Rev Bond	6/1/2057	582,065	-	9,471	572,594
263.82	2003 DOE - WWTP Loan	4/30/2025	417,704	-	92,823	324,881
259.12	Compensated Absences		61,084	-	5,805	55,279
264.30	NET Pension Liability		284,475	-	212,422	72,053
	Total Revenue and Other (non G.O.) Debt/Liabilities:		1,561,929	-	329,692	1,232,237
	Total Liabilities:		1,599,132	-	338,238	1,260,894

**Town of Coupeville
Schedule of Liabilities
For the Year Ended December 31, 2020**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.11	GO Debt -Ciarolo Property	9/15/2023	45,222	-	8,019	37,203
251.11	GO Debt - OSPC Property	3/1/2020	20	-	20	-
Total General Obligation Debt/Liabilities:			45,242	-	8,039	37,203
Revenue and Other (non G.O.) Debt/Liabilities						
252.11	2015 USDA Rev Bond	5/1/2055	225,525	-	8,924	216,601
252.11	2017 USDA Rev Bond	6/1/2057	591,293	-	9,228	582,065
259.12	Compensated Absences		51,970	9,114	-	61,084
263.82	2003 DOE - WWTP Loan	4/30/2025	510,527	-	92,823	417,704
264.30	NET Pension Liability		313,537	-	29,062	284,475
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,692,852	9,114	140,037	1,561,929
Total Liabilities:			1,738,094	9,114	148,076	1,599,132

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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