



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Town of Concrete

Skagit County

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

Published June 23, 2018

Report No. 1021799





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

June 23, 2018

Mayor and Town Council
Town of Concrete
Concrete, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Town of Concrete's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Town of Concrete
Skagit County
January 1, 2016 through December 31, 2017**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Town of Concrete are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the Town’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Town.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Town’s compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction Grant

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Town did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2017-001.

**SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

**Town of Concrete
Skagit County
January 1, 2017 through December 31, 2017**

2017-001 The Town did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) requirements.

CFDA Number and Title:	20.205 Highway Planning and Construction
Federal Grantor Name:	Department of Transportation, Federal Highway Administration
Federal Award/Contract Number:	NA
Pass-through Entity Name:	Washington State Department of Transportation
Pass-through Award/Contract Number:	TAP-29CN(002) LA-8719 STPR-29CN(003) LA 8743 P4 STPR-29CN(004) LA-8754
Questioned Cost Amount:	\$0

Description of Condition

The objective of federal Highway Planning and Construction grants are to help local governments plan and develop transportation projects, including construction, rehabilitation and preservation of the National Highway System.

In 2017, the Town spent \$436,682 in federal program funds for construction costs related to three ongoing projects. Two of those projects were subject to the Davis-Bacon Act because they were in construction phases.

The Davis-Bacon Act requires contractors and subcontractors to pay federally prescribed prevailing wage rates to all laborers and mechanics working on federally funded construction projects of \$2,000 or more. The U.S. Department of Labor establishes federal prevailing wage rate requirements based on the type of work performed and where the project is located.

The Act requires the federal-money recipient to include a provision in the construction contracts or subcontracts that are subject to wage rate requirements

that the contractor or subcontractor comply with these requirements and Department of Labor regulations. Under these regulations, contractors and subcontractors must submit a copy of the weekly certified payroll reports to the grant recipient within seven days after the regular payment date of each payroll period.

Federal regulations require federal-money recipients to establish and follow internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program compliance.

The Town contracted with an engineering firm to oversee the projects and relied on the project engineer to comply with the wage rate requirements, including collecting certified payroll reports from the contractors and subcontractors each week on the Town's behalf.

Although Town staff meet regularly with the project engineer, staff were not actively monitoring and instead relied on the project engineer to ensure compliance with federal requirements. Town staff responsible for administering the program had not verified that the project engineer was receiving timely certified payroll reports, nor did Town staff obtain them before paying the contractors and subcontractors.

We consider this deficiency in internal controls to be a material weakness.

This issue was not reported as a finding in the prior audit.

Cause of Condition

Town staff were not aware of the level of monitoring they were required to perform regarding oversight of the project engineer.

Effect of Condition and Questioned Costs

Town staff relied on the project engineer to ensure contractor and subcontractor contracts and wages paid complied with federal requirements on the Town's projects without the Town's review. Therefore, the Town issued payments for work performed on its projects without verifying federal requirements were being met. Staff intended on obtaining and reviewing weekly certifications once the project was completed.

Without effective monitoring, the Town cannot identify and correct non-compliance with federal program requirements by its project engineer in a timely manner. Consequently, the Town could be liable for paying additional wages if its contractors or subcontractors did not comply with federal wage rate requirements.

Our audit did not identify any noncompliance with the federal requirement as the Town's contracted project engineer included the required wage rate requirement clauses in its contracts with construction contractors and subcontractors and had obtained weekly certified payrolls in accordance with federal requirements.

Recommendations

We recommend the Town design and implement internal controls to ensure compliance with federal prevailing wage requirements, including:

- Working with the contractor to ensure project management agreements clearly outline the contractor's duties and the monitoring activities the Town will undertake to ensure the project is managed to meet federal requirements
- Obtaining and reviewing weekly payroll certifications quickly to ensure prevailing wage reporting requirements are met before paying for services

Town's Response

The Town of Concrete thanks the State Auditor's Office for their efforts in auditing projects that are funded with federal funds. Over the years the Town of Concrete has completed many projects funded by local, state and federal funding and has not received a finding in many years, in either of the financial or federal single audits conducted, as well as no deficiencies being stated in its 2015 Federal Single Audit. The Town is appreciative of the funding it receives to complete needed projects and strives for financial reports that are both transparent and correct and that we continue to be responsible stewards of the taxpayer's monies. As described and explained by the audit team, the Town agrees there were deficiencies in the monitoring of the certified payroll reports according to CFR Part 200, but disagree with the reporting level of a finding. The Town contracted with a project manager (the engineering firm) to oversee the administration processes and they were receiving and reviewing the certified payrolls throughout the project. There were zero questioned cost amounts. As of today, no contractors or subcontractors have made any claims for incorrect prevailing wages.

The Town will however, review internal controls and change or update those processes to ensure all internal (town) review of certified payrolls is completed and reviewed further for compliance with the Davis-Bacon Act as required for any future federal funding.

Auditor's Remarks

We thank the Town for its commitment to resolving the issues identified above. We will follow-up on the status of this finding during our next Federal Single audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 303 – Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 516 Audit findings, establishes reporting requirements for audit findings.

Title 29 CFR, Section 5.5 – *Contract provisions and related matters*, establishes requirements for contract provisions for prevailing wages.

Title 29 CFR, Section 3.3 – *Weekly statement with respect to payment of wages*, and Section 3.4 – *Submission of weekly statements and the preservation an inspection of weekly payroll records*, establishes requirements for contractor or subcontractor submission of weekly certified payroll reports.

**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 Concrete
Skagit County
January 1, 2016 through December 31, 2017**

Mayor and Town Council
Town of Concrete
Concrete, 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 Concrete, Skagit County, Washington, 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 July 13, 2018.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

July 13, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Town of Concrete
Skagit County
January 1, 2017 through December 31, 2017**

Mayor and Town Council
Town of Concrete
Concrete, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the Town of Concrete, Skagit County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2017. The Town's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001 to be a material weakness.

Town's Response to Findings

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.



Pat McCarthy
State Auditor
Olympia, WA

July 13, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Concrete Skagit County January 1, 2016 through December 31, 2017

Mayor and Town Council
Town of Concrete
Concrete, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Concrete, Skagit County, Washington, 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 20.

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 Concrete 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 Concrete, 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 Concrete, 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 performed for the purpose of forming opinions on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 July 13, 2018 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

July 13, 2018

FINANCIAL SECTION

**Town of Concrete
Skagit County
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
Notes to Financial Statements – 2017
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Liabilities – 2016
Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017

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

		Total for All Funds (Memo Only)	001 General Fund	305 Fire Reserve Fund	307 Capital Improvements Fund
Beginning Cash and Investments					
30810	Reserved	32,928	-	-	32,928
30880	Unreserved	404,048	86,451	25,879	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	699,570	673,544	9,560	14,986
320	Licenses and Permits	25,492	25,492	-	-
330	Intergovernmental Revenues	1,979,310	1,200,123	-	16,959
340	Charges for Goods and Services	745,405	4,705	-	-
350	Fines and Penalties	2,432	2,432	-	-
360	Miscellaneous Revenues	57,314	9,023	5,056	3
Total Revenues:		<u>3,509,521</u>	<u>1,915,317</u>	<u>14,616</u>	<u>31,948</u>
Expenditures					
510	General Government	259,295	259,295	-	-
520	Public Safety	300,649	300,649	-	-
530	Utilities	513,557	-	-	-
540	Transportation	205,120	172,801	-	-
550	Natural and Economic Environment	51,264	51,264	-	-
560	Social Services	2,477	2,477	-	-
570	Culture and Recreation	14,507	14,507	-	-
Total Expenditures:		<u>1,346,869</u>	<u>800,993</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		2,162,654	1,114,326	14,616	31,948
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	100,125	-	-	-
397	Transfers-In	5,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	11,960	-	-	-
Total Other Increases in Fund Resources:		<u>117,085</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,123,899	1,162,577	-	62,497
591-593, 599	Debt Service	210,328	-	-	-
597	Transfers-Out	5,000	5,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	30,893	30,893	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>2,370,120</u>	<u>1,198,471</u>	<u>-</u>	<u>62,497</u>
Increase (Decrease) in Cash and Investments:		(90,381)	(84,145)	14,616	(30,549)
Ending Cash and Investments					
5081000	Reserved	2,379	-	-	2,379
5088000	Unreserved	344,214	2,304	40,495	-
Total Ending Cash and Investments		<u>346,593</u>	<u>2,304</u>	<u>40,495</u>	<u>2,379</u>

The accompanying notes are an integral part of this statement.

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

	<u>401 Airport Fund</u>	<u>406 Sewer Fund</u>	<u>407 Water Fund</u>
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	13,004	145,978
388 / 588	Prior Period Adjustments, Net	-	-
Revenues			
310	Taxes	1,480	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	504,614
340	Charges for Goods and Services	-	519,709
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	22,518	20,266
	Total Revenues:	<u>23,998</u>	<u>1,044,588</u>
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	385,416
540	Transportation	32,318	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
	Total Expenditures:	<u>32,318</u>	<u>385,416</u>
	Excess (Deficiency) Revenues over Expenditures:	<u>(8,320)</u>	<u>659,173</u>
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	100,125
397	Transfers-In	5,000	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	11,960
	Total Other Increases in Fund Resources:	<u>5,000</u>	<u>11,960</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	517,465
591-593, 599	Debt Service	-	210,328
597	Transfers-Out	-	-
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
	Total Other Decreases in Fund Resources:	<u>-</u>	<u>727,793</u>
	Increase (Decrease) in Cash and Investments:	<u>(3,320)</u>	<u>(56,660)</u>
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	9,684	89,318
	Total Ending Cash and Investments	<u>9,684</u>	<u>89,318</u>

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

		Total for All Funds (Memo Only)	001 General Fund	305 Fire Reserve Fund	307 Capital Improvements Fund
Beginning Cash and Investments					
30810	Reserved	36,562	-	-	36,562
30880	Unreserved	241,803	13,691	14,672	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	724,262	682,351	9,568	30,860
320	Licenses and Permits	20,199	20,199	-	-
330	Intergovernmental Revenues	943,905	724,635	4,095	-
340	Charges for Goods and Services	745,951	2,876	-	-
350	Fines and Penalties	292	292	-	-
360	Miscellaneous Revenues	65,199	5,230	5,115	171
Total Revenues:		<u>2,499,807</u>	<u>1,435,581</u>	<u>18,777</u>	<u>31,031</u>
Expenditures					
510	General Government	190,303	190,303	-	-
520	Public Safety	290,032	287,031	3,001	-
530	Utilities	455,785	-	-	-
540	Transportation	87,592	61,319	-	-
550	Natural and Economic Environment	43,904	43,904	-	-
560	Social Services	2,470	2,470	-	-
570	Culture and Recreation	11,336	11,336	-	-
Total Expenditures:		<u>1,081,422</u>	<u>596,363</u>	<u>3,001</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		1,418,385	839,220	15,777	31,031
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	74,585	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		<u>74,585</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,094,583	737,108	4,569	34,665
591-593, 599	Debt Service	210,424	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	29,351	29,351	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>1,334,359</u>	<u>766,459</u>	<u>4,569</u>	<u>34,665</u>
Increase (Decrease) in Cash and Investments:		158,612	72,761	11,208	(3,634)
Ending Cash and Investments					
5081000	Reserved	32,928	-	-	32,928
5088000	Unreserved	404,048	86,451	25,879	-
Total Ending Cash and Investments		436,977	86,451	25,879	32,928

The accompanying notes are an integral part of this statement.

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

	<u>401 Airport Fund</u>	<u>406 Sewer Fund</u>	<u>407 Water Fund</u>
Beginning Cash and Investments			
30810	Reserved	-	-
30880	Unreserved	12,343	69,477
388 / 588	Prior Period Adjustments, Net	-	131,619
		-	-
Revenues			
310	Taxes	1,483	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	-	215,176
340	Charges for Goods and Services	-	532,269
350	Fines and Penalties	-	-
360	Miscellaneous Revenues	25,451	23,804
	Total Revenues:	<u>26,935</u>	<u>771,249</u>
		-	216,234
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	260,204
540	Transportation	26,273	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
	Total Expenditures:	<u>26,273</u>	<u>260,204</u>
	Excess (Deficiency) Revenues over Expenditures:	661	511,045
		-	20,653
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	74,585
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	-
	Total Other Increases in Fund Resources:	<u>-</u>	<u>74,585</u>
Other Decreases in Fund Resources			
594-595	Capital Expenditures	-	224,120
591-593, 599	Debt Service	-	94,121
597	Transfers-Out	-	210,424
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
	Total Other Decreases in Fund Resources:	<u>-</u>	<u>434,545</u>
	Increase (Decrease) in Cash and Investments:	661	76,500
		-	1,117
Ending Cash and Investments			
5081000	Reserved	-	-
5088000	Unreserved	13,004	145,978
	Total Ending Cash and Investments	13,004	145,978
		-	132,736

Town of Concrete
NOTES TO FINANCIAL STATEMENTS JANUARY
1, 2017 THROUGH DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Concrete was incorporated in 1909 and operates under the laws of the State of Washington applicable to a town with a Mayor-Council form of government. The Town of Concrete is a general purpose government and provides fire protection/prevention, street improvements, parks and recreation, and general administrative services. In addition the town owns and operates a water/sewer system as well as an airport.

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

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

a. Fund Accounting

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

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund (001)

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

Capital Project Funds (300 – 399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

b. Basis of Accounting and Measurement Focus

Financial statements are prepared using 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 Concrete also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Budgets

The Town of Concrete adopts annual appropriated budgets for General (current expense), Street, Water Reserve, Fire Reserve, Sewer Reserve, Capital Improvement, Airport, Airport Reserve, Sewer and Water funds. These budgets are appropriated at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General	813,336.00	802,224.52	11,111.48
Street	1,292,600.00	1,197,239.31	95,360.69
Water Reserve	1,500,000.00	381,142.21	1,118,857.79
Fire Reserve	36,500.00	0.00	36,500.00
Sewer Reserve	65,000.00	1,345.65	63,654.35
Capital Improvement	71,500.00	62,496.83	9,003.17
Airport	36,956.00	34,943.45	2,012.55
Airport Reserve	10,500.00	0.00	10,500.00
Sewer	1,196,480.00	1,136,862.99	59,617.01
Water	221,500.00	153,359.00	68,141.00

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 Concrete's legislative body.

d. Cash and Investments

See Note 2, Deposits and Investments

e. Capital Assets

Capital assets are assets with an initial individual cost of more than \$250.00. The capital assets of the Town of Concrete are recorded as expenditures when purchased

f. Compensated Absences

Vacation leave may be accumulated up to 144 hours unless authorized by Council for the overage in hours and is payable upon separation or retirement.

Sick leave may accumulate up to 752 hours. Employees will be paid for any unused sick leave upon their retirement after more than 20 years of employment, but not upon any other termination from Town service at the ratio of four days to one (one day pay for every 4 days accrued).

Executive leave and comp time may be accumulated up to 40 hours unless authorized by the Mayor to exceed the 40 hours and is payable upon separation or retirement.

An estimation of payroll taxes based on accumulated hours allowed for payout is included on Schedule 9.

g. Long-Term Debt

See Note 4 – Debt Service Requirements

h. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of \$2,379.18 and are intended for capital purchases as outlined in the Town of Concrete's recently approved Capital Facilities Plan.

NOTE 2 –DEPOSITS AND INVESTMENTS

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

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

Investments are reported at original cost.

Investments by type at December 31, 2017 are as follows:

Type of Investment	Town of Concrete Own investments	Total
Municipal Savings Account	\$262,934.46	\$262,934.46
Time Value Investments	\$129,100.58	\$129,100.58
Total		\$392,035.04

NOTE 3 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes 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 Concrete. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The Town of Concrete’s regular levy for the year 2017 was 3.1776 per \$1,000 on an assessed valuation of \$157,833,863.00 for a total regular levy of \$504,546.00.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the Town of Concrete and summarizes the Town of Concrete’s debt transactions for the 2017 budget year. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	Principle Totals	Interest Totals	Total Interest and Principle
2017	\$87,414.14	\$122,913.63	\$210,327.77
2018	\$87,915.12	\$122,316.06	\$210,231.18
2019	\$89,872.99	\$120,261.61	\$210,134.60
2020	\$91,918.61	\$118,119.41	\$210,038.02
2021	\$94,055.86	\$115,885.56	\$209,941.42
2022-2026	\$438,993.64	\$542,850.50	\$981,844.14
2027-2031	\$404,344.53	\$472,837.38	\$877,181.91
2032-2036	\$441,428.30	\$385,964.39	\$827,392.69
2037-2041	\$549,589.99	\$277,802.67	\$827,392.66
2042-2046	\$684,265.51	\$143,127.17	\$827,392.68
2047-2049	\$227,182.78	\$46,670.51	\$273,853.29
Totals	\$3,196,981.47	\$2,468,748.89	\$5,665,730.36
2017 payment	\$87,414.14	\$122,913.63	\$210,327.77
After 2016 Payment Balance Remaining	\$3,109,567.33	\$2,345,835.26	\$5,455,402.59

*Corrections made during audit to account for updated amortization schedules occurred in 2018 and therefore this table may not tie out to previous reports.

NOTE 5 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all Town of Concrete full-time and qualifying part-time employees participate in the Public Employees Retirement Systems (PERS) and Law Enforcement Officers and Fire Fighters (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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

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.

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

At June 30, 2017, the Town of Concrete’s proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

	Allocation %	Liability (Asset)
PERS 2/3	.002158%	\$79,622
PERS 1	.001678%	\$74,980
LEOFF 1	.003281%	(\$49,780)
VFFRPF	0.27%	(\$98,808.52)

The Town of Concrete also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

NOTE 6 – RISK MANAGEMENT

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

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

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

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

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

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

NOTE 7 – OTHER DISCLOSURES

The Town Council approved four (4) separate ordinances amending the original 2017 budget. The approved ordinances included one (1) amendment each for the General Fund, the Street Fun and the Capital Improvement Fund as well as two (2) each for the Sewer Fund and Water Reserve Fund.

The Town of Concrete rolled-up the following funds for reporting purposes:

- Water Reserve Fund 408 and Water Fund 407 rolled into Water Fund 407
- Sewer Reserve Fund 405 and Sewer Fund 406 rolled into Sewer Fund 406
- Street Fund 103 and General Fund 001 rolled into the General Fund 001
- Airport Fund 401 and Airport Reserve Fund 402 rolled into the Airport Fund 401

· Significant Commitments or Obligations

The Town of Concrete in conjunction with the Town of Darrington pays medical insurance for a reserve officer who was injured on the job while working for both the Town of Concrete and the Town of Darrington. This has been an expense since 2005. The Town of Concrete has a commitment to pay for past employment benefits for employees that belong to LEOFF1. These benefits include medical, dental and vision. One retiree received benefits during the year and \$8,008.20 was paid out for those benefits during the year.

· Compliance and Accountability

In 2017 the town awarded the Main Street Road and Pedestrian Improvement Project. This particular project was funded by several different sources. Construction funds were expended on all but one of the funding sources by the end of 2017, which was the Transportation Improvement Board. During the project the town also requested additional funding from TIB to complete this project. The project stretched into the winter months and the final paving was not able to occur prior to that. Final paving and closeout of this project should occur in the spring/summer of 2018 at which time the final closeout and reimbursement from TIB will be received bringing the Street Fund back to a positive cash flow. To meet expenditure obligations the town paid the contractor for work in 2017 that it will not be reimbursed for until 2018 which is the reason for the negative cash balance within that fund.

· Related Party Transactions

-Mayor is the owner/editor of the Concrete Herald and in 2017 the town paid \$365.93 for publications services.

· Interlocal Agreements

-Skagit County – Law Enforcement Services

- Skagit County – Facility Management
- Skagit County – Senior and Community Services
- Skagit County – Drug Enforcement Partners
- Skagit County – Emergency Management Council
- Skagit County – SHB 2163
- Skagit County – SHB 2060
- Skagit County – Solid Waste Management
- Skagit County – Interlocal Services
- Skagit County – Urban Growth Area
- Skagit County – Home Consortium
- Skagit County – Bridge Inspections
- Skagit County – GIS Mapping Services
- Skagit County Jurisdictions – Mutual Aid for Fire and Emergency Services
- City of Sedro Woolley – Fire Truck

· Self Insurance

HEALTH AND WELFARE

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

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

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

Town of Concrete
NOTES TO FINANCIAL STATEMENTS JANUARY
1, 2016 THROUGH DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town of Concrete was incorporated in 1909 and operates under the laws of the State of Washington applicable to a town with a Mayor-Council form of government. The Town of Concrete is a general purpose government and provides fire protection/prevention, street improvements, parks and recreation, and general administrative services. In addition the town owns and operates a water/sewer system as well as an airport. The Town of Concrete uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

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

a. Fund Accounting

The accounts of the Town of Concrete 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 Concrete's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported on a separate column in the financial statements. The following are fund types used by the Town of Concrete.

GOVERNMENTAL FUND TYPES

General (Current Expense) Fund (001)

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

Capital Project Funds (300 – 399)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400-499)

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

b. Basis of Accounting and Measurement Focus

Financial statements are prepared using 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 Concrete also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

c. Budgets

The Town of Concrete adopts annual appropriated budgets for General (current expense), Street, Water Reserve, Fire Reserve, Sewer Reserve, Capital Improvement, Airport, Airport Reserve, Sewer and Water funds. These budgets are appropriated at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General	669,438.00	669,244.01	193.99
Street	806,600.00	693,577.53	113,022.47
Water Reserve	132,250.00	94,120.98	38,129.02
Fire Reserve	46,500.00	7,570.13	35,929.87
Sewer Reserve	60,150.00	8,944.46	51,205.54
Capital Improvement	42,650.00	34,665.15	7,984.85
Airport	30,331.00	29,773.16	557.84
Airport Reserve	7,005.00	0.00	7,005.00
Sewer	765,600.00	700,804.11	64,795.89
Water	257,025.00	204,331.41	52,693.59

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 Concrete's legislative body.

d. Cash and Investments

See Note 2, Deposits and Investments

e. Capital Assets

Capital assets are assets with an initial individual cost of more than \$250.00. The capital assets of the Town of Concrete are recorded as expenditures when purchased

f. Compensated Absences

Vacation leave may be accumulated up to 144 hours unless authorized by Council for the overage in hours and is payable upon separation or retirement.

Sick leave may accumulate up to 752 hours. Employees will be paid for any unused sick leave upon their retirement after more than 20 years of employment, but not upon any other termination from Town service at the ratio of four days to one (one day pay for every 4 days accrued).

Executive leave and comp time may be accumulated up to 40 hours unless authorized by the Mayor to exceed the 40 hours and is payable upon separation or retirement.

An estimation of payroll taxes based on accumulated hours allowed for payout is included on Schedule 9.

g. Long-Term Debt

See Note 4 – Debt Service Requirements

h. Risk Management

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

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee

fidelity and faithful performance, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier and fidelity (crime) coverage is a stand-alone policy, which the AWC RMSA procures for its members. The AWC RMSA also allows members with airports to group purchase airport liability coverage.

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

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

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

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

i. Reserved Portion of Ending Cash and Investments

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

Reservations of Ending Cash and Investments consist of \$32,928.41 and are intended for capital purchases as outlined in the Town of Concrete's recently approved Capital Facilities Plan.

NOTE 2 –DEPOSITS AND INVESTMENTS

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

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

Investments are reported at original cost.

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

Type of Investment	Town of Concrete Own investments	Total
Municipal Savings Account	\$280,753.06	\$280,753.06
Time Value Investments	\$129,734.80	\$129,734.80
Total		\$410,487.86

NOTE 3 – PROPERTY TAX

The county treasurer acts as an agent to collect property taxes 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 Concrete. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The Town of Concrete’s regular levy for the year 2016 was 3.14390 per \$1,000 on an assessed valuation of \$151,707,505.00 for a total regular levy of \$476,953.55.

NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt of the Town of Concrete and summarizes the Town of Concrete’s debt transactions for the 2016 budget year. The debt service payment for the fiscal year being reported and future payment requirements, including interest, are as follows:

	Principle Totals	Interest Totals	Total Interest and Principle
2016	\$85,562.45	\$124,861.93	\$210,424.38
2017	\$87,414.14	\$122,913.63	\$210,327.77
2018	\$87,915.12	\$122,316.06	\$210,231.18
2019	\$89,872.99	\$120,261.61	\$210,134.60
2020	\$91,918.61	\$118,119.41	\$210,038.02
2021-2024	\$446,099.97	\$555,312.44	\$1,001,412.41
2025-2030	\$414,034.93	\$488,041.60	\$902,076.53
2031-2035	\$422,497.95	\$404,894.74	\$827,392.69
2036-2040	\$526,020.14	\$301,372.51	\$827,392.65
2041-2045	\$654,918.83	\$172,473.85	\$827,392.68
2046-2049	\$376,288.79	\$63,043.04	\$439,331.83
Totals	\$3,282,543.92	\$2,593,610.82	\$5,876,154.74
2016 payment	\$85,562.45	\$124,861.93	\$210,424.38
After 2016 Payment Balance Remaining	\$3,196,981.47	\$2,468,748.89	\$5,665,730.36

*Corrections made during audit to account for updated amortization schedules occurred in 2018 and therefore this table may not tie out to previous reports.

NOTE 5 – PENSION PLANS

A. State Sponsored Pension Plans

Substantially all Town of Concrete full-time and qualifying part-time employees participate in the Public Employees Retirement Systems (PERS) and Law Enforcement Officers and Fire Fighters (LEOFF) administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

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

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

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.

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

At June 30, 2016, the Town of Concrete's proportionate share of the collective net pension liabilities, as reported on the Schedule 9, was as follows:

	Allocation %	Liability (Asset)
PERS 2/3	.002143%	\$107,898
PERS 1	.001671%	\$89,741
LEOFF 1	.003235%	(\$33,330)
VFFRPF	0.25%	(42,921.56)

The Town of Concrete also participates in LEOFF Plan 1. The LEOFF Plan 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. Starting on July 1, 2000, employers and employees contribute zero percent.

NOTE 6 – OTHER DISCLOSURES

The Town Council approved three (3) separate ordinances amending the original 2016 budget. The three ordinances included four (4) amendments for the General Fund, the Street Fun and the Sewer Fund.

The Town of Concrete rolled-up the following funds for reporting purposes:

- Water Reserve Fund 408 and Water Fund 407 rolled into Water Fund 407
- Sewer Reserve Fund 405 and Sewer Fund 406 rolled into Sewer Fund 406
- Street Fund 103 and General Fund 001 rolled into the General Fund 001
- Airport Fund 401 and Airport Reserve Fund 402 rolled into the Airport Fund 401

· Significant Commitments or Obligations

The Town of Concrete in conjunction with the Town of Darrington pays medical insurance for a reserve officer who was injured on the job while working for both the Town of Concrete and the Town of Darrington. This has been an expense since 2005. The Town of Concrete has a commitment to pay for past employment benefits employees that belong to LEOFF1. These benefits include medical, dental and vision. One retiree received benefits during the year and \$9,909.84 was paid out for those benefits during the year.

· Related Party Transactions

-Mayor is the owner/editor of the Concrete Herald and in 2016 the town paid \$855.86 for publications services.

· Interlocal Agreements

- Skagit County – Law Enforcement Services
- Skagit County – Facility Management
- Skagit County – Senior and Community Services
- Skagit County – Drug Enforcement Partners
- Skagit County – Emergency Management Council
- Skagit County – SHB 2163
- Skagit County – SHB 2060
- Skagit County – Solid Waste Management
- Skagit County – Interlocal Services
- Skagit County – Urban Growth Area
- Skagit County – Home Consortium
- Skagit County – Bridge Inspections
- Skagit County – GIS Mapping Services
- Skagit County Jurisdictions – Mutual Aid for Fire and Emergency Services
- City of Sedro Woolley – Fire Truck

· Self Insurance

HEALTH AND WELFARE

The Town of Concrete is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint

purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self insure.

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

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

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

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

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

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

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

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

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF Loan #1 - 1/7/2003	7/1/2022	81,645	-	13,607	68,038
263.88	PWTF Loan #2 - 7/7/2004	7/1/2024	45,684	-	5,711	39,973
263.82	USDA Loan #1 - 11/21/2007	11/21/2047	1,219,355	-	18,704	1,200,651
263.82	USDA Loan #2 - 11/21/2007	11/21/2047	293,171	-	4,615	288,556
263.82	USDA Loan #3 - 1/18/2009	1/15/2049	1,258,391	-	19,882	1,238,509
263.82	DOE SRF Loan - 11/30/2007	11/30/2028	298,735	-	24,895	273,840
259.12	Year End Compensated Liabilities	12/31/2015	30,443	3,305	-	33,748
263.88	Drinking Water SRF Loan - 07/01/2015	10/1/2039	74,585	100,125	-	174,710
264.30	Net Pension Liability	6/30/2017	197,639	-	43,037	154,602
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,499,648	103,430	130,451	3,472,627
Total Liabilities:			3,499,648	103,430	130,451	3,472,627

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	PWTF Loan #1 - 1/7/2003	7/1/2022	95,252	-	13,607	81,645
263.88	PWTF Loan #2 - 7/7/2004	7/1/2024	51,395	-	5,711	45,684
263.82	USDA Loan #1 - 11/21/2007	11/21/2047	1,237,245	-	17,890	1,219,355
263.82	USDA Loan #2 - 11/21/2007	11/21/2047	297,591	-	4,420	293,171
263.82	USDA Loan #3 - 1/18/2009	1/15/2049	1,277,431	-	19,040	1,258,391
263.82	DOE SRF Loan - 11/30/2007	11/30/2028	323,630	-	24,895	298,735
259.12	Year End Compensated Liabilities	12/31/2015	30,329	114	-	30,443
263.82	Drinking Water SRF Loan - 07/01/2015	10/1/2039	-	74,585	-	74,585
264.30	Net Pension Liability	6/30/2016	154,923	42,716	-	197,639
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,467,796	117,301	85,563	3,499,648
Total Liabilities:			3,467,796	117,301	85,563	3,499,648

**Town of Concrete
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	15-62210-050	16,959	-	16,959	-	1
Office Of Community Planning And Development, Department Of Housing And Urban Development (via Washington State Department of Commerce)	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii	14.228	16-62210-019	459,455	-	459,455	-	1
Total CFDA 14.228:				476,414	-	476,414	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-29CN(002) LA-8719	236,136	-	236,136	-	1, 7
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPR-29CN(003) LA-8743 Phase 4	190,201	-	190,202	-	1,2,7
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPR-29CN(004) LA-8754 Overlay	10,346	-	10,346	-	1,2,7
Total Highway Planning and Construction Cluster:				436,682	-	436,683	-	
Drinking Water State Revolving Fund Cluster								
Office Of Water, Environmental Protection Agency (via Washington State Department of Health and Washington State Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM16-952-024	90,348	-	90,348	-	1,4,7
Total Drinking Water State Revolving Fund Cluster:				90,348	-	90,348	-	
Total Federal Awards Expended:				1,003,445	-	1,003,446	-	

Town of Concrete

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Notes 1 and 7 are required for all governments. Disclose other notes only if applicable to the government's circumstances.

Note 1 – Basis of Accounting

This schedule is prepared on the same basis of accounting as the Town of Concrete's financial statements. The Town of Concrete uses "cash basis" accounting.

Note 2 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Town of Concrete's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4 – Federal Loans

The Town of Concrete was approved by the Department of Health to receive a loan totaling \$1,119,000.00 for water system improvements. The amount listed for this loan includes the proceeds used during the year and the outstanding loan balance from prior years.

Both the current and prior year loans are also reported on the Town of Concrete Schedule of Liabilities.

Note 7 – Indirect Cost Rate

The Town of Concrete has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



Town of Concrete

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Administration
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 Chaun Hopfield, deputy clerk
 Denise DuVamey

Public Works
 Alan Wilkins, director
 Rich Phillips, asst. director
 James Luttrell
 Dale Angell

Building Inspector
 Jack McCormick

Town Council
 Rob Thomas
 Elizabeth Easterday
 Michael Bartel
 Marla Reed
 Ginger Kyritsis

**CORRECTIVE ACTION PLAN FOR FINDINGS
 REPORTED UNDER UNIFORM GUIDANCE**

**Town of Concrete
 Skagit County**

January 1, 2015 through December 31, 2017

This schedule presents the corrective action planned by the Town for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2017-001	Finding caption: The Town did not have adequate internal controls to ensure compliance with federal Davis-Bacon Act (prevailing wage) requirements
Name, address, and telephone of Town contact person: Andrea Fichter PO Box 39 Concrete, WA 98237 (360) 853-8401	
Corrective action the auditee plans to take in response to the finding: The Town of Concrete thanks the State Auditor's Office for their efforts in auditing projects that are funded with federal funds. Over the years the Town of Concrete has completed many projects funded by local, state and federal funding and has not received a finding in many years, in either of the financial or federal single audits conducted, as well as no deficiencies being stated in its 2015 Federal Single Audit. The Town is appreciative of the funding it receives to complete needed projects and strives for financial reports that are both transparent and correct and that we continue to be responsible stewards of the taxpayer's monies. As described and explained by the audit team, the Town agrees there were deficiencies in the monitoring of the certified payroll reports according to CFR Part 200, but disagrees with the reporting level of a	

finding. The town contracted with a project manager (the engineering firm) to oversee the administrative processes and they were receiving and reviewing the certified payrolls throughout the project. There were zero questioned cost amounts. As of today, no contractors or subcontractors have made any claims for incorrect prevailing wages.

The Town will however, review internal controls and change or update those processes to ensure an internal (town) review of certified payrolls is completed and reviewed further for compliance with the Davis-Bacon Act as required for any future federal funding.

Anticipated date to complete the corrective action: Immediately

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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