



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Town of Carbonado

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

Published September 20, 2018

Report No. 1022117





Office of the Washington State Auditor

Pat McCarthy

September 20, 2018

Mayor and Town Council
Town of Carbonado
Carbonado, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Town of Carbonado'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,

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

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Town of Carbonado January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Town of Carbonado 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 no 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 no 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>
66.458	Clean Water State Revolving Fund Cluster – Capitalization Grants for Clean Water State Revolving Funds

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

None reported.

**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 Carbonado
January 1, 2015 through December 31, 2017**

Mayor and Town Council
Town of Carbonado
Carbonado, 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 Carbonado, as of and for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated August 30, 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 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 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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

August 30, 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 Carbonado
January 1, 2017 through December 31, 2017**

Mayor and Town Council
Town of Carbonado
Carbonado, Washington

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

We have audited the compliance of the Town of Carbonado, 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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

Pat McCarthy

State Auditor

Olympia, WA

August 30, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Carbonado **January 1, 2015 through December 31, 2017**

Mayor and Town Council
Town of Carbonado
Carbonado, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Carbonado, for the years ended December 31, 2017, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Town of Carbonado 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 Carbonado, for the years ended December 31, 2017, 2016 and 2015, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the 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 Carbonado, as of December 31, 2017, 2016 and 2015, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above “Basis for Adverse Opinion on U.S. GAAP” paragraph.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The 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 August 30, 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 cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

August 30, 2018

FINANCIAL SECTION

Town of Carbonado January 1, 2015 through December 31, 2017

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2017
Fund Resources and Uses Arising from Cash Transactions – 2016
Fund Resources and Uses Arising from Cash Transactions – 2015
Notes to Financial Statements – 2017
Notes to Financial Statements – 2016
Notes to Financial Statements – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2017
Schedule of Liabilities – 2016
Schedule of Liabilities – 2015
Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017

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

		Total for All Funds (Memo Only)	001 Current Expense	101 City Streets	103 Education
Beginning Cash and Investments					
30810	Reserved	227,799	1,230	26,324	60,000
30880	Unreserved	630,742	360,677	59,944	46,194
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	208,058	154,237	14,810	-
320	Licenses and Permits	20,827	20,827	-	-
330	Intergovernmental Revenues	621,988	33,415	27,211	-
340	Charges for Goods and Services	644,878	106,197	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	39,690	17,345	5,500	-
Total Revenues:		1,535,441	332,021	47,521	-
Expenditures					
510	General Government	102,785	102,785	-	-
520	Public Safety	81,183	54,235	-	-
530	Utilities	417,095	103,009	-	-
540	Transportation	26,173	-	26,173	-
550	Natural and Economic Environment	145	145	-	-
560	Social Services	151	151	-	-
570	Culture and Recreation	8,028	5,028	-	3,000
Total Expenditures:		635,558	265,351	26,173	3,000
Excess (Deficiency) Revenues over Expenditures:		899,881	66,668	21,348	(3,000)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	245,898	-	-	-
397	Transfers-In	13,500	-	5,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	47	47	-	-
381, 395, 398	Other Resources	134,555	134,555	-	-
Total Other Increases in Fund Resources:		394,000	134,602	5,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	798,268	12,832	16,551	-
591-593, 599	Debt Service	102,009	-	-	-
597	Transfers-Out	13,500	13,500	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	126	126	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		913,904	26,458	16,551	-
Increase (Decrease) in Cash and Investments:		379,977	174,811	9,797	(3,000)
Ending Cash and Investments					
5081000	Reserved	146,120	1,230	51,892	60,000
5088000	Unreserved	1,092,400	535,491	44,173	43,194
Total Ending Cash and Investments		1,238,520	536,721	96,065	103,194

The accompanying notes are an integral part of this statement.

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

		105 Emergency Medical Services	301 Capital Improvement Fund	401 Water/Sewer Utility Fund	410 Stormwater Utility
Beginning Cash and Investments					
30810	Reserved	7,111	91,307	41,826	-
30880	Unreserved	-	-	142,434	21,493
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	17,902	21,109	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,270	-	560,092	-
340	Charges for Goods and Services	7,500	-	524,756	6,426
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,579	-	13,766	500
Total Revenues:		29,251	21,109	1,098,614	6,926
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	26,948	-	-	-
530	Utilities	-	-	314,004	83
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		26,948	-	314,004	83
Excess (Deficiency) Revenues over Expenditures:		2,303	21,109	784,610	6,843
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	245,898	-
397	Transfers-In	8,500	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		8,500	-	245,898	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	768,885	-
591-593, 599	Debt Service	-	-	102,009	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	870,894	-
Increase (Decrease) in Cash and Investments:		10,803	21,109	159,614	6,843
Ending Cash and Investments					
5081000	Reserved	-	-	32,998	-
5088000	Unreserved	17,914	112,416	310,876	28,336
Total Ending Cash and Investments		17,914	112,416	343,874	28,336

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

		Total for All Funds (Memo Only)	001 Current Expense	101 City Streets	103 Education
Beginning Cash and Investments					
30810	Reserved	169,383	-	-	60,000
30880	Unreserved	661,850	293,453	58,293	53,194
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	208,044	156,981	13,048	-
320	Licenses and Permits	35,462	35,462	-	-
330	Intergovernmental Revenues	322,252	34,164	28,059	-
340	Charges for Goods and Services	616,299	147,312	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	35,866	14,145	10,580	-
Total Revenues:		1,217,923	388,063	51,687	-
Expenditures					
510	General Government	91,519	91,519	-	-
520	Public Safety	146,078	120,830	-	-
530	Utilities	432,253	78,837	-	-
540	Transportation	34,299	-	34,299	-
550	Natural and Economic Environment	467	467	-	-
560	Social Services	164	164	-	-
570	Culture and Recreation	12,291	5,291	-	7,000
Total Expenditures:		717,071	297,107	34,299	7,000
Excess (Deficiency) Revenues over Expenditures:		500,852	90,956	17,388	(7,000)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	126,045	-	-	-
397	Transfers-In	22,500	-	15,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	84	84	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		148,629	84	15,000	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	502,195	90	4,413	-
591-593, 599	Debt Service	97,483	-	-	-
597	Transfers-Out	22,500	22,500	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	(5)	(5)	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		622,173	22,586	4,413	-
Increase (Decrease) in Cash and Investments:		27,307	68,454	27,975	(7,000)
Ending Cash and Investments					
5081000	Reserved	227,799	1,230	26,324	60,000
5088000	Unreserved	630,742	360,677	59,944	46,194
Total Ending Cash and Investments		858,541	361,907	86,268	106,194

The accompanying notes are an integral part of this statement.

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

		105 Emergency Medical Services	301 Capital Improvement Fund	401 Water/Sewer Utility Fund	410 Stormwater Utility
Beginning Cash and Investments					
30810	Reserved	-	68,985	40,398	-
30880	Unreserved	-	-	241,003	15,906
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	15,693	22,322	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	1,290	-	258,740	-
340	Charges for Goods and Services	6,000	-	457,381	5,605
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	1,876	-	9,265	-
Total Revenues:		24,860	22,322	725,386	5,605
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	25,249	-	-	-
530	Utilities	-	-	353,398	18
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		25,249	-	353,398	18
Excess (Deficiency) Revenues over Expenditures:		(390)	22,322	371,988	5,587
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	126,045	-
397	Transfers-In	7,500	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		7,500	-	126,045	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	497,692	-
591-593, 599	Debt Service	-	-	97,483	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	595,175	-
Increase (Decrease) in Cash and Investments:		7,110	22,322	(97,142)	5,587
Ending Cash and Investments					
5081000	Reserved	7,111	91,307	41,826	-
5088000	Unreserved	-	-	142,434	21,493
Total Ending Cash and Investments		7,111	91,307	184,260	21,493

Town of Carbonado
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 Current Expense	101 City Streets	103 Education
Beginning Cash and Investments					
30810	Reserved	156,437	-	-	60,000
30880	Unreserved	436,201	207,788	36,584	57,280
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	176,450	150,424	13,880	-
320	Licenses and Permits	33,026	33,026	-	-
330	Intergovernmental Revenues	481,673	38,808	12,854	-
340	Charges for Goods and Services	556,155	98,828	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	25,391	10,149	1,951	1,194
Total Operating Revenues:		1,272,696	331,236	28,685	1,194
Operating Expenditures					
510	General Government	77,607	77,607	-	-
520	Public Safety	59,543	59,543	-	-
530	Utilities	366,023	75,204	-	-
540	Transportation	21,016	-	21,016	-
550	Natural and Economic Environment	13,695	13,695	-	-
560	Social Services	140	140	-	-
570	Culture and Recreation	10,472	5,192	-	5,280
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		548,496	231,381	21,016	5,280
Net Operating Increase (Decrease):		724,200	99,855	7,669	(4,086)
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	1,702	1,502	200	-
391-393	Debt Proceeds	10,970	-	-	-
397	Transfers-In	15,000	-	15,000	-
Total Nonoperating Revenues:		27,672	1,502	15,200	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	(13)	151	(164)	-
591-593	Debt Service	92,771	-	600	-
594-595	Capital Expenditures	405,410	433	722	-
597	Transfers-Out	15,000	15,000	-	-
Total Nonoperating Expenditures:		513,168	15,584	1,158	-
Net Increase (Decrease) in Cash and Investments:		238,704	85,773	21,711	(4,086)
Ending Cash and Investments					
5081000	Reserved	169,383	-	-	60,000
5088000	Unreserved	661,850	293,453	58,293	53,194
Total Ending Cash and Investments		831,233	293,453	58,293	113,194

The accompanying notes are an integral part of this statement.

Town of Carbonado
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		301 Capital Improvement Fund	401 Water/Sewer Utility Fund	410 Stormwater Utility
Beginning Cash and Investments				
30810	Reserved	56,839	39,598	-
30880	Unreserved	-	124,392	10,157
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	12,146	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	-	430,011	-
340	Charges for Goods and Services	-	451,578	5,749
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	-	12,097	-
Total Operating Revenues:		12,146	893,686	5,749
Operating Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	290,819	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
598	Miscellaneous Expenses	-	-	-
Total Operating Expenditures:		-	290,819	-
Net Operating Increase (Decrease):		12,146	602,867	5,749
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	-	-	-
391-393	Debt Proceeds	-	10,970	-
397	Transfers-In	-	-	-
Total Nonoperating Revenues:		-	10,970	-
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	-	92,171	-
594-595	Capital Expenditures	-	404,255	-
597	Transfers-Out	-	-	-
Total Nonoperating Expenditures:		-	496,426	-
Net Increase (Decrease) in Cash and Investments:		12,146	117,411	5,749
Ending Cash and Investments				
5081000	Reserved	68,985	40,398	-
5088000	Unreserved	-	241,003	15,906
Total Ending Cash and Investments		68,985	281,401	15,906

The accompanying notes are an integral part of this statement.

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

Note 1 - Summary of Significant Accounting Policies

The Town of Carbonado was incorporated in 1948 and operates under the laws of the state of Washington applicable to a fourth-class municipality. The Town of Carbonado is a general purpose local government and provides general government services, fire protection, street improvement, parks and recreation, and general administrative services. In addition, the Town owns a water, sewer, and storm drain utility systems. The Town contracts out for law enforcement, municipal court, and solid waste services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to

expenditures for specified purposes of the government.

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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 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 adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 Current Expense	\$335,780.00	\$296,809.00	\$38,971.00
101 City Streets	\$351,150.00	\$42,723.92	\$308,426.08
103 Education	\$10,000.00	\$3,000.00	\$7,000.00
105 Emergency Medical Services	\$33,790.00	\$26,947.77	\$6,842.23
401Water/Sewer Utility Fund	\$1,882,835.00	\$1,185,698.05	\$697,136.95

410Stormwater Utility	\$4,455.00	\$83.24	\$4,371.76
610 Carbonado T.B.D.	\$0.00	\$0.00	\$0.00
Grand Totals	\$2,618,010.00	\$1,555,261.98	\$1,062,748.02

Budgeted amounts are authorized for shift of funds on the department or object level; 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 Carbonado'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 \$25,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days or 120 hours and is payable upon separation or retirement. Sick leave may be accumulated 320 hours. Upon separation or retirement employees do receive 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

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 ordinance. When expenditures that meet restrictions are incurred, the Town of Carbonado intends to use reserved resources first before using unreserved amounts.

After a review of reserved and unreserved accounts, it was found that Fund 105 EMS Property Tax, Fund 301 Capital Improvements, and Fund 402 W/S USDA Debt Reserve (USDA-RD Debt Reserve \$8,200) do not meet the test for reserved status.

Reservations of Ending Cash and Investments consist of:

Fund#	Fund Title	Amount
001	Cemetery CD	\$1,230.00
101	Street-Transportation Benefit District	\$51,892.20
103	Education	\$60,000.00
402	USDA-RD Debt	\$32,998.00
	TOTAL	\$146,120.20

Note 2 – Deposits and Investments

It is the town's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the fund that has that specific investment.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Town of Carbonado 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's own investment	Total
Certificate of Deposit	\$1,230.00	\$1,230.00
Total	\$1,230.00	\$1,230.00

Note 3 - Property Tax

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

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

The town's regular levy for the year 2017 was \$1.443054191484 per \$1,000 on an assessed valuation of \$44,563,935 for a total regular levy of \$57,596.54.

The town has a permanent EMS levy and for the year 2017 was \$0.50 per \$1,000 on an assessed valuation of \$44,563,935 for a total levy of \$17,374.22.

Note 4 – Debt Service Requirements

Debt Service

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

The 2017 Ending Balance for the USDA RD principle loan balance on Schedule 09 was \$559,782.91. It did not match the loan statement which is \$558,272.26. It was adjusted to make sure that the town is in compliance with the USDA RD loan. After review of all the payment information, the difference appears to be a scrivener error on the part of a Clerk.

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

	PRINCIPAL	INTEREST	TOTAL
2018	\$67,483.98	\$33,488.53	\$100,972.51
2019	\$68,020.44	\$31,915.48	\$99,935.92
2020	\$68,575.64	\$30,323.72	\$98,899.36
2021	\$57,993.47	\$28,743.22	\$86,736.69
2022	\$58,464.95	\$27,235.15	\$85,700.10
2023-2027	\$242,108.47	\$113,597.17	\$355,705.64
2028-2032	\$104,247.96	\$83,839.15	\$188,087.11
2033-2037	\$100,355.36	\$64,634.64	\$164,990.00
2038-2042	\$123,084.28	\$41,905.72	\$164,990.00
2043-2047	\$133,411.32	\$14,029.06	\$147,440.38
TOTALS	\$1,023,745.87	\$469,711.84	\$1,493,457.71

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all town'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 2 and 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:

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.

The Town of Carbonado 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 at www.ofm.wa.gov.

At June 30, 2017, the town's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1-UAAL	7,050	.001172%	\$ 55,612
PERS 2/3	9,208	.001507%	\$ 52,361
			\$107,973

Note 6 – Risk Management

The Town of Carbonado 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

Reporting Funds and Management Funds: The following management funds were combined with their reporting fund for the 2017 Annual Report.

- Fund 002 Cemetery CD is merged with Fund 001 Current Expense
- Fund 030 Fire & EMS Capital Reserve is merged with Fund 001 Current Expense
- Fund 402 W/S USDA Bond Reserve is merged with Fund 401 Water/Sewer Utility Fund
- Fund 403 W/S Repair & Replace merged with Fund 401 Water/Sewer Utility Fund
- Fund 404 Water Reserve is merged with Fund 401 Water/Sewer Utility Fund
- Fund 405 Sewer Reserve is merged with Fund 401 Water/Sewer Utility Fund

Sale of Property: Two real property parcels that the town owned were surplussed by resolution. After they were surplussed, a real estate agent was contacted to sell the property for best price. Both parcels were sold by Resolution 250 and 251, outlining the agreement to sell the property, to Don Hickle Construction Incorporated.

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

Note 1 - Summary of Significant Accounting Policies

The Town of Carbonado was incorporated in 1948 and operates under the laws of the state of Washington applicable to a fourth-class municipality. The Town of Carbonado is a general purpose local government and provides general government services, fire protection, street improvement, parks and recreation, and general administrative services. In addition, the Town owns a water, sewer, and storm drain utility systems. The Town contracts out for law enforcement, municipal court, and solid waste services.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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 Carbonado 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 Carbonado adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
001 Current Expense	\$355,709.00	\$318,937.95	\$36,771.05
101 City Streets	\$61,000.00	\$38,712.06	\$22,287.94
103 Education	\$10,650.00	\$7,000.00	\$3,650.00
105 Emergency Medical Services	\$38,800.00	\$25,248.83	\$13,551.17
401Water/Sewer Utility Fund	\$1,893,970.00	\$949,372.76	\$944,597.24
410Stormwater Utility	\$4,350.00	\$17.80	\$4,332.20
610 Carbonado T.B.D.	\$100.00	\$0.00	\$100.00
Grand Totals	\$2,364,579.00	\$1,339,289.40	\$1,025,289.60

Budgeted amounts are authorized for shift of funds on the department or object level; 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 Carbonado'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 \$25,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days or 120 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 320 hours. Upon separation or retirement employees do receive 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

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

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

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

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation,

intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

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

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

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 Town of Carbonado or bond covenants. When expenditures that meet restrictions are incurred, the Town of Carbonado intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund 001	Cemetery CD	\$1,230.00
Fund 101	TBD, MVTV, Multimodal Taxes	\$26,324.26
Fund 103	Education	\$60,000.00
Fund 105	EMS Property Tax	\$7,110.92
Fund 301	REET	\$91,307.27
Fund 402	USDA-RD Debt	\$33,626.16
Fund 402	USDA-RD Debt Reserve	\$8,200.00
		\$227,798.61

Note 2 – Deposits and Investments

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

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Town of Carbonado 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's own investment	Total
Certificate of Deposit	\$1,230.00	\$1,230.00
Total	\$1,230.00	\$1,230.00

Note 3 - Property Tax

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

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

The Town of Carbonado's regular levy for the year 2016 was \$1.657515439186 per \$1,000 on an assessed valuation of \$34,854,770 for a total regular levy of \$57,719.

The Town of Carbonado has a permanent EMS levy and for the year 2016 was \$0.50 per \$1000 on an assessed valuation of \$34,854,770 for a total regular levy of \$17,411.

Note 4 – Debt Service Requirements

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Carbonado and summarizes the Town of Carbonado's debt transactions for year ended December 31, 2016. The USDA-RD loan balance has been not correct for many years. This was discovered in 2017 and decided that the correction would be part of the 2017 Annual Report.

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

	PRINCIPAL	INTEREST	TOTAL
2017	\$66,965.50	\$35,043.57	\$102,009.07
2018	\$67,483.98	\$33,488.53	\$100,972.51
2019	\$68,020.44	\$31,915.48	\$99,935.92
2020	\$68,575.64	\$30,323.72	\$98,899.36
2021	\$57,993.47	\$28,743.22	\$86,736.69

2022-			
2026	\$263,695.06	\$120,942.84	\$384,637.90
2027-			
2031	\$123,398.73	\$88,458.22	\$211,856.95
2032-			
2036	\$96,340.34	\$68,649.66	\$164,990.00
2037-			
2041	\$118,159.92	\$46,830.08	\$164,990.00
2042-			
2046	\$144,921.29	\$20,068.71	\$164,990.00
2047	\$15,157.00	\$291.38	\$15,448.38
TOTALS	\$1,090,711.37	\$504,755.41	\$1,595,466.78

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Town of Carbonado'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 2.

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

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

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

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

The Town of Carbonado 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 at www.ofm.wa.gov.

At June 30, 2016, the town's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1-UAAL	.001275%	\$68,474
PERS 2/3	.001631%	\$82,120

Note 6 - Other Disclosures

Carbonado Transportation Benefit District: The District was formed in April of 2013 per RCW 35.21.225. The Town has assumed the Transportation Benefit District based on 2ESSB 5987 per Resolution 198 as of September 28, 2015. The Transportation Benefit District close out audit was done in 2015 during the Town of Carbonado's 2012, 2013, and 2014 scheduled audit. The Transportation Benefit District is in the process of inactivating the MCAG number.

Created New Funds: Two funds were created January 1, 2016. They will be:

Fund 030 Fire & Emergency Medical Services Capital Reserve Fund by Ordinance 438

Fund 105 Emergency Medical Services Fund by Ordinance 437

Payroll Issues:

Because of inexperienced staff, processes and procedures were unknown and not followed to cause a large issue in balancing the financial system to bank statements for 2014 and 2015. This has been brought to the State Auditor's attention.

2016 Schedule 07's beginning balance is different from 2015 Schedule 07's beginning balance because the Town is working on how to utilize 13th month in the financial software. Staff is aware of the issue and it should be resolved by the 2017 Schedule 07.

Town of Carbonado
Notes to the Financial Statements
For the year ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The Town of Carbonado was incorporated in 1948 and operates under the laws of the state of Washington applicable to a fourth class municipality. The Town of Carbonado is a general purpose local government and provides general government services, fire protection, street improvement, parks and recreation, and general administrative services. In addition, the Town owns a water, sewer and stormdrain utility system. The Town contracts for law enforcement, municipal court, and solid waste 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.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

PROPRIETARY FUND TYPES:

Enterprise Funds

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

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 Carbonado 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 Carbonado adopts annual appropriated budgets for all funds. These budgets are appropriated at the fund. 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
001-000-000-000-00-00-00	\$293,807.00	\$246,964.07	\$46,842.93
101-000-000-000-00-00-00	\$32,450.00	\$22,174.92	\$10,275.08
103-000-000-000-00-00-00	\$5,350.00	\$5,280.00	\$70.00
401-000-000-000-00-00-00	\$905,990.00	\$788,245.54	\$117,744.46
410-000-000-000-00-00-00	\$1,000.00	\$0.00	\$1,000.00
Grand Totals	\$1,238,597.00	\$1,062,664.53	\$175,932.47

Budgeted amounts are authorized for shift of funds on the department or object level; 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 Carbonado's legislative body.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of 5 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 3 days or 120 hours and is payable upon separation or retirement. Sick leave may be accumulated 320 hours. Upon separation or retirement employees do receive 25% payment for unused sick leave. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of operating transfers between funds and debt service.

I. Risk Management

The Town of Carbonado 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 together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2015, 102 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 \$10 million in both per occurrence and aggregate liability limits. For the first \$1 million, 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. For the \$9 million in excess coverage limits, an excess liability policy is purchased from Starr Indemnity & Liability Company. The excess property coverage is purchased through Lexington Insurance Company using the Pool's broker, Arthur J. Gallagher Risk Management Services. In 2015, 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.

J. 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 Carbonado or Bond covenants. When expenditures that meet restrictions are incurred, the Town of Carbonado intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

Fund 103, Education, to meet the requirements of Quit Claim Deed No 2170931 in states in part that the funds and interest must be used for the public education of the citizens of Carbonado with a minimum principal balance of \$60,000 to be maintained at all times.

Fund 301, Capital Improvements, for compliance with RCW 358.43.040 which restricts the expenditure of Real Estate Excise taxes collected by the Town to those items defined

by statute and listed in the Comprehensive Plan adopted by the Town Council.

Fund 401, Water, are in accordance with the terms of the USDA Rural Development Loan for:

Debt Reserves

Short Lived Asset Reserves

Note 2 - Property Tax

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

Property tax revenues are recognized when cash is received by Town. 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 2015 was \$1.443054191484 per \$1,000 on an assessed valuation of \$36,549,064 for a total regular levy of \$52,742.28.

The Town has a permanent EMS levy and for the year 2015 was \$.435257931640 per \$1,000 on an assessed valuation of \$36,549,064 for a total levy of \$15,908.27.

Note 3 – Deposits and Investments

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

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

Investments are reported at cost. Investments by type at December 31, 2015 are as follows:

Type of Investment Investment	Town's own investments	Investment held by Town an agent for other local governments, individuals or private organizations.	Total
LGIP	\$0.00	\$0.00	\$0.00
Certificate of Deposits	\$61,230.00	\$0.00	\$61,230.00
Total	\$61,230.00	\$0.00	\$61,230.00

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Town of Carbonado and summarizes the Town's debt transactions for year ended December 31, 2015.

The debt service requirements for general obligation bonds, revenue bonds and Other Debt, including both principal and interest, are as follows:

	General Obligation Debt	Principal Debt	Interest Debt	Total Debt
2016	0	\$32,998.00	\$ 58,922	\$91,919.50
2017	0	\$32,998.00	\$ 57,885	\$90,882.94
2018	0	\$32,998.00	\$ 56,848	\$89,846.39
2019	0	\$32,998.00	\$ 55,812	\$88,809.80
2020	0	\$32,998.00	\$ 54,775	\$87,773.25
2021-2025	0	\$164,990.00	\$ 241,453	\$406,442.67
2026-2030	0	\$164,990.00	\$ 78,801	\$243,790.87
2031-2035	0	\$164,990.00	\$ -	\$164,990.00
2036-2040	0	\$164,990.00	\$ -	\$164,990.00
2041-2045	0	\$164,990.00	\$ -	\$164,990.00
2046-2047	0	\$48,467.60	\$ -	\$48,467.60
TOTALS	0	\$1,038,407.60	\$604,495.42	\$1,642,903.02

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Town'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.

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At June 30, 2015 (the measurement date of the plans), the Town's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	.001258%	\$65,805
PERS 2/3	.001625%	\$58,062

Note 6 - Other Disclosures

Carbonado Transportation Benefit District: The District was formed in April of 2013 per RCW 35.21.225. The Town has assumed the Transportation Benefit District based on 2ESSB 5987 per Resolution 198 as of September 28, 2015. The Transportation Benefit District close out audit was done in 2015 during the Town of Carbonado's 2012, 2013, and 2014 scheduled audit. The Transportation Benefit District is in the process of inactivating the MCAG number.

Created New Funds: Two funds were created January 1, 2016. They will be:

Fund 030 Fire & Emergency Medical Services Capital Reserve Fund by Ordinance 438

Fund 105 Emergency Medical Services Fund by Ordinance 437

These funds will be budgeted in 2016 once the information has been reviewed.

Payroll Issues:

Because of inexperienced staff, processes and procedures were unknown and not followed to cause a large issue in balancing the financial system to bank statements for 2014 and 2015. This has been brought to the State Auditor's attention.

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	Compensated Absence-Current Expense	12/31/2017	5,941	1,085	5,769	1,257
251.11	Compensated Absences-W/S (no longer needed)	12/31/2017	4,963	-	4,963	-
Total General Obligation Debt/Liabilities:			10,904	1,085	10,732	1,257
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	DWSRF-Water Loans 05-9600-007	10/1/2026	73,804	-	7,381	66,423
263.82	DWSRF-Water Loan 03-65103-013	10/1/2024	135,001	-	16,875	118,126
263.82	ECY-Sewer Design WQC-2016-Carbon-00147 Forgivable Loan	10/1/2037	126,045	245,898	-	371,943
263.82	ECY-Sewer Design WQC-2016-Carbon-00147	10/1/2037	126,045	245,898	-	371,943
263.82	PWB-Emergency Loan	7/1/2028	269,094	-	22,424	246,670
263.82	ECY-Sewer Plan LI4S0012	12/1/2020	43,420	-	10,677	32,744
252.11	USDA/US Bank-Water Loan 2007	4/20/2047	568,454	(573)	9,609	558,272
264.30	Net Pension Liability	12/31/2017	150,593	-	42,620	107,973
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,492,456	491,223	109,585	1,874,094
Total Liabilities:			1,503,360	492,308	120,317	1,875,351

Town of Carbonado
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						
259.12	Compensated Absence-General Obligation		1,916	7,927	3,902	5,941
263.82	DWSRF-Water Loan 05-9600-007	10/1/2026	81,185	-	7,381	73,804
263.82	DWSRF-Water Loan 03-65103-013	10/1/2024	151,876	-	16,875	135,001
263.82	ECY-Sewer Design WQC-2016-Carbon-00147 Forgivable Loan	10/1/2037	-	126,045	-	126,045
263.82	ECY-Sewer Design WQC-2016-Carbon-00147	10/1/2037	-	126,045	-	126,045
263.82	PWB-Emergency Loan	7/1/2028	291,518	-	22,424	269,094
263.82	ECY-Sewer Plan LI4S0012	12/1/2020	48,518	-	5,097	43,421
259.12	Compensated Absence-W/S		6,638	4,237	5,912	4,963
252.11	USDA/US Bank-Water Loan 2007	4/20/2047	577,678	-	9,224	568,454
264.30	Net Pension Liability		123,867	26,726	-	150,593
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,283,196	290,981	70,815	1,503,361
Total Liabilities:			1,283,196	290,981	70,815	1,503,361

**Town of Carbonado
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
263.82	SWSRF-Water Loan 05-9600-007	10/1/2026	88,566	-	7,381	81,185
263.82	DWSRF-Water Loan 03-65103-013	10/1/2024	168,751	-	16,875	151,876
263.82	PWB-Emergency Loan PE08-951-057	7/1/2028	313,942	-	22,424	291,518
263.82	ECY-Sewer Plan LI4S0012	12/1/2020	44,203	10,970	-	55,173
252.11	USDA/Bank of NY - Water	4/20/2047	586,533	-	8,855	577,678
259.12	Compensated Absence - General Obligation		5,848	2,330	6,262	1,916
259.12	Compensated Absences W/S		10,236	5,620	9,218	6,638
264.30	Net Pension Liability		-	123,867	-	123,867
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,218,079	142,787	71,015	1,289,851
Total Liabilities:			1,218,079	142,787	71,015	1,289,851

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

		Expenditures					Passed through to Subrecipients	Note
		Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total
CDBG - Entitlement Grants Cluster								
	Office Of Community Planning And Development, Department Of Housing And Urban Development (via Department of Commerce)	Community Development Block Grants/Entitlement Grants	14.218	SC-103652		308,194	-	308,194
								1, 3
Total CDBG - Entitlement Grants Cluster:						308,194	-	308,194
Clean Water State Revolving Fund Cluster								
	Office Of Water, Environmental Protection Agency (via Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-2016-Carbon-00147-1/2 Forgivable Loan EF160599		446,192	-	446,192
								1, 2, 3
Total Clean Water State Revolving Fund Cluster:						446,192	-	446,192
Drinking Water State Revolving Fund Cluster								
	Office Of Water, Environmental Protection Agency (via Department of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	N19559		6,000	-	6,000
								1, 3
Total Drinking Water State Revolving Fund Cluster:						6,000	-	6,000
Total Federal Awards Expended:						760,386	-	760,386

The accompanying notes are an integral part of this schedule.

Town of Carbonado

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

Note 1 – Basis of Accounting

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

Note 2 – Federal Loans

The town was approved by the EPA and the Department of Ecology to receive a loan totaling \$920,000 for the design of the wastewater collection system. This loan is half forgivable loan and half actual loan. The amount listed for this loan both forgivable and actual includes the proceeds used during the year. Both the current and prior year loans are also reported on the town's Schedule of Liabilities (Schedule 09).

Note 3 – Indirect Cost Rate

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

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