



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

**Financial Statements Audit Report**  
**Town of Darrington**

**Snohomish County**

**For the period January 1, 2015 through December 31, 2016**

**Published December 28, 2017**

**Report No. 1020417**





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

December 28, 2017

Mayor and City Council  
Town of Darrington  
Darrington, Washington

**Report on Financial Statements**

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

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 AUDIT FINDINGS AND RESPONSES

### Town of Darrington Snohomish County January 1, 2015 through December 31, 2016

#### **2016-001 The Town did not have adequate controls over financial statement preparation to ensure accurate and complete reporting.**

##### *Background*

The Town of Darrington spends about \$3 million annually and has seven employees. The Mayor and Town Council appoint the Clerk Treasurer and Deputy Clerk to process and oversee daily accounting and financial operations.

Management is responsible for designing, implementing and maintaining internal controls adequate to provide reasonable assurance regarding reliability of financial reporting. Our audit identified significant deficiencies in controls over financial statement reporting that limit the Town's ability to produce reliable financial statements and reports.

*Government Auditing Standards* requires auditors to communicate significant deficiencies, as defined in the Applicable Laws and Regulation section below, as a finding.

##### *Description of Condition*

We identified the following deficiencies in internal controls over accounting and financial statement reporting that represent a significant deficiency. Specifically, the Town:

- Has been unable to identify financial transactions that cause significant variances between its general ledger and bank statement reconciliation.
- Did not have an effective review process to ensure its 2015 and 2016 financial statements agreed to the *Budgeting, Accounting and Reporting System* (BARS) Manual.
- Did not have a sufficient review process over its financial statements, cash reconciliation, journal entries and adjustments.

### ***Cause of Condition***

The Town has limited staffing and experienced significant turnover in its Clerk Treasurer and Deputy Clerk positions in 2014 and 2015. The Town Council and management have not provided adequate training time to those responsible for preparing and reviewing the financial statements.

### ***Effect of Condition***

We identified the following errors in the Town's financial statements:

- Cash balances were overstated by \$73,277 and \$34,384 for fiscal years 2015 and 2016, respectively. The Clerk Treasurer has been in the process of reconciling these items.
- The Town could not provide support for a \$143,861 prior-period adjustment to the 2015 financial statements.
- Interfund transfers of \$124,316 were misclassified as miscellaneous revenues in fiscal year 2015.
- Other post-employment benefit liabilities were underreported by \$26,559 and \$91,030 for fiscal years 2015 and 2016, respectively on its Schedule of Liabilities.
- The Town did not use the most recent version of the BARS Manual when compiling its Notes to the Financial Statements.

In addition, our audit identified less significant errors on the Town's financial statements, Notes to the Financial Statements and other supplementary schedules.

These deficiencies in internal controls increase the risk that significant misstatements in the financial information, or misappropriation or misuse of Town resources, could occur and not be prevented or detected by the Town.

### ***Recommendations***

We recommend the Town:

- Provide adequate time and resources to fully reconcile variances between its general ledger and the bank statements.
- Provide adequate time and training to staff responsible for financial accounting and reporting to ensure its financial statements are prepared in accordance with BARS Manual guidance.

- Establish an effective secondary review process to ensure financial statements, cash reconciliations, journal entries and adjustments are complete and accurate, and comply with current reporting requirements.

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

*The Town will provide staff with additional training and provide adequate time and resources to fully reconcile variances. The Town Council and/or Mayor will perform a secondary review of all financial information to ensure compliance with current reporting requirements and in accordance with BARS Manual guidance.*

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

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

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

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

*Budgeting, Accounting and Reporting System (BARS) Manual – Accounting, Accounting Principles and Internal Control, Internal Control states in part:*

3.1.3.20 Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

3.1.3.30 Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management. Since

management and the governing body are assumed to work in harmony, both parties are collectively referred to as "management" throughout the rest of this section.

3.1.3.140 This objective refers to fair presentation of financial statements and required schedules in all material respects in accordance with the stated basis of accounting.

3.1.3.150 In meeting this objective, the government should have controls that accomplish the following key functions:

- Identification of financial events – Controls should ensure financial events and transactions are properly identified and recorded.
- Properly applying accounting standards – Controls should ensure correct criteria and methodology is applied when accounting for financial events. When the correct method of accounting for or reporting a transaction is unclear, the government should seek clarification by performing research, contracting for accounting assistance, or communicating with the State Auditor's Office or standard setting bodies.
- Correctly accounting for all financial events – Controls should ensure that:
  - Only valid transactions are recorded and reported.
  - All transactions occurred during the period are recorded and reported.

- Transactions are recorded and reported at properly valued and calculated amounts.
- Recorded and reported transactions accurately reflect legal rights and obligations.
- Transactions are recorded and reported in the account and fund to which they apply.
- Preparation of the annual report – Controls should ensure that financial statements and required schedules are properly compiled and prepared from source accounting records. Controls should also ensure correct presentation of statements and schedules.

3.1.3.160 Controls and processes should generate adequate documentation to demonstrate achievement of objectives. This is not only important for audit, oversight and public records purposes, but also to enable effective monitoring of controls over financial reporting by management.

*Government Auditing Standards*, December 2011 Revision, paragraph 4.23 states:

When performing GAGAS financial audits auditors should communicate in the report on internal control over financial reporting and compliance based upon the work performed,

- (1) significant deficiencies and material weaknesses in internal control;
- (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance;
- (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and
- (4) abuse that has a material effect on the audit.



The American Institute of Certified Public Accounts defines significant deficiencies and material weaknesses in its Codification of Statements on Audit Standards section 265 as follows:

Deficiency in internal control. A deficiency in internal control over financial reporting 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Material weakness. A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonably, possibility exists when the likelihood of an event occurring is either reasonably possible or probably as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Probable. The future event or events are likely to occur.

Significant deficiency. A deficiency or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

**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 Darrington  
Snohomish County  
January 1, 2015 through December 31, 2016**

Mayor and City Council  
Town of Darrington  
Darrington, 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 Darrington, Snohomish County, Washington, as of and for the years ended December 31, 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 December 5, 2017.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2016-001 that we consider to be a significant deficiency.

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **TOWN'S RESPONSE TO FINDINGS**

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

## PURPOSE OF THIS REPORT

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



Pat McCarthy  
State Auditor  
Olympia, WA

December 5, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Town of Darrington Snohomish County January 1, 2015 through December 31, 2016**

Mayor and City Council  
Town of Darrington  
Darrington, Washington

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

We have audited the accompanying financial statements of the Town of Darrington, Snohomish County, Washington, for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Town's financial statements, as listed on page 17.

#### **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 Darrington 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 Darrington, for the years ended December 31, 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 Darrington, as of December 31, 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 performed for the purpose of forming opinions on the financial statements taken as a whole. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017 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

December 5, 2017



## FINANCIAL SECTION

**Town of Darrington  
Snohomish County  
January 1, 2015 through December 31, 2016**

### **FINANCIAL STATEMENTS**

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

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2016  
Schedule of Liabilities – 2015

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense Fund</u>	<u>250 Bond Redemption Fund</u>	<u>350 Capital Improvement Fund</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	458,036	233,103	5,542	(737)
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	482,754	472,982	-	9,773
320	Licenses and Permits	143,609	143,390	-	-
330	Intergovernmental Revenues	2,158,483	2,158,483	-	-
340	Charges for Goods and Services	549,670	18,133	-	-
350	Fines and Penalties	14,309	635	-	-
360	Miscellaneous Revenues	103,784	97,368	-	2
Total Revenues:		<u>3,452,610</u>	<u>2,890,990</u>	<u>-</u>	<u>9,775</u>
<b>Expenditures</b>					
510	General Government	282,893	282,324	-	-
520	Public Safety	408,999	408,204	795	-
530	Utilities	669,516	40,639	-	-
540	Transportation	42,605	42,605	-	-
550	Natural and Economic Environment	30,491	30,491	-	-
560	Social Services	358	358	-	-
570	Culture and Recreation	109,920	109,920	-	-
Total Expenditures:		<u>1,544,782</u>	<u>914,542</u>	<u>795</u>	<u>-</u>
Excess (Deficiency) Revenues over Expenditures:		1,907,828	1,976,449	(795)	9,775
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	13,959	13,959	-	-
385	Special or Extraordinary Items	16,133	16,133	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	13,561	13,561	-	-
Total Other Increases in Fund Resources:		<u>43,652</u>	<u>43,652</u>	<u>-</u>	<u>-</u>
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	2,137,869	2,128,446	-	9,038
591-593, 599	Debt Service	14,089	-	-	-
597	Transfers-Out	13,959	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		<u>2,165,916</u>	<u>2,128,446</u>	<u>-</u>	<u>9,038</u>
<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>(214,436)</u></b>	<b><u>(108,343)</u></b>	<b><u>(795)</u></b>	<b><u>737</u></b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	243,600	124,758	4,747	-
<b>Total Ending Cash and Investments</b>		<b><u>243,600</u></b>	<b><u>124,758</u></b>	<b><u>4,747</u></b>	<b><u>-</u></b>

The accompanying notes are an integral part of this statement.

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

	<u>401 Water Fund</u>	<u>402 Garbage Fund</u>	<u>405 Cemetery Fund</u>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	187,204	17,815
388 / 588	Prior Period Adjustments, Net	-	-
<b>Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	219	-
330	Intergovernmental Revenues	-	-
340	Charges for Goods and Services	243,160	25,585
350	Fines and Penalties	13,674	-
360	Miscellaneous Revenues	3,403	2,995
Total Revenues:		260,456	28,580
<b>Expenditures</b>			
510	General Government	-	569
520	Public Safety	-	-
530	Utilities	317,981	20,605
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		317,981	21,174
Excess (Deficiency) Revenues over Expenditures:		(57,525)	7,406
<b>Other Increases in Fund Resources</b>			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	-
385	Special or Extraordinary Items	-	-
386 / 389	Custodial Activities	-	-
381, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	-
<b>Other Decreases in Fund Resources</b>			
594-595	Capital Expenditures	385	-
591-593, 599	Debt Service	14,089	-
597	Transfers-Out	-	13,959
585	Special or Extraordinary Items	-	-
586 / 589	Custodial Activities	-	-
581	Other Uses	-	-
Total Other Decreases in Fund Resources:		14,474	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(71,999)</b>	<b>7,406</b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	-
5088000	Unreserved	115,205	25,221
<b>Total Ending Cash and Investments</b>		<b>115,205</b>	<b>25,221</b>

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

		<u>Total for All Funds (Memo Only)</u>	<u>001 Current Expense Fund</u>	<u>250 Bond Redemption Fund</u>	<u>350 Capital Improvement Fund</u>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	296,535	73,169	6,043	1,373
388 & 588	Prior Period Adjustments, Net	(143,861)	(143,861)	-	-
<b>Operating Revenues</b>					
310	Taxes	418,516	413,161	-	5,356
320	Licenses and Permits	132,225	132,225	-	-
330	Intergovernmental Revenues	1,541,568	1,424,575	-	-
340	Charges for Goods and Services	504,071	20,052	-	-
350	Fines and Penalties	16,602	744	-	-
360	Miscellaneous Revenues	258,477	119,470	-	-
Total Operating Revenues:		<u>2,871,458</u>	<u>2,110,227</u>	<u>-</u>	<u>5,356</u>
<b>Operating Expenditures</b>					
510	General Government	289,116	289,116	-	-
520	Public Safety	234,040	233,539	501	-
530	Utilities	628,708	7,094	-	-
540	Transportation	56,178	56,178	-	-
550	Natural and Economic Environment	7,520	7,520	-	-
560	Social Services	1,170	1,170	-	-
570	Culture and Recreation	29,986	29,986	-	-
598	Miscellaneous Expenses	-	-	-	-
Total Operating Expenditures:		<u>1,246,720</u>	<u>624,604</u>	<u>501</u>	<u>-</u>
Net Operating Increase (Decrease):		<u>1,624,740</u>	<u>1,485,624</u>	<u>(501)</u>	<u>5,356</u>
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	45,333	14,700	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		<u>45,333</u>	<u>14,700</u>	<u>-</u>	<u>-</u>
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	27,796	-	-	-
591-593	Debt Service	14,280	-	-	-
594-595	Capital Expenditures	1,315,096	1,196,456	-	-
597	Transfers-Out	7,465	-	-	7,465
Total Nonoperating Expenditures:		<u>1,364,638</u>	<u>1,196,456</u>	<u>-</u>	<u>7,465</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b><u>305,436</u></b>	<b><u>303,868</u></b>	<b><u>(501)</u></b>	<b><u>(2,109)</u></b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	458,094	233,161	5,542	(737)
<b>Total Ending Cash and Investments</b>		<b><u>458,094</u></b>	<b><u>233,161</u></b>	<b><u>5,542</u></b>	<b><u>(737)</u></b>

The accompanying notes are an integral part of this statement.

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

	<u>401 Water Fund</u>	<u>402 Garbage Fund</u>	<u>405 Cemetery Fund</u>
<b>Beginning Cash and Investments</b>			
30810	Reserved	-	-
30880	Unreserved	(41,925)	7,937
388 & 588	Prior Period Adjustments, Net	-	-
<b>Operating Revenues</b>			
310	Taxes	-	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	116,992	-
340	Charges for Goods and Services	221,638	251,731
350	Fines and Penalties	15,858	-
360	Miscellaneous Revenues	1,709	124,315
	Total Operating Revenues:	<u>356,197</u>	<u>376,046</u>
<b>Operating Expenditures</b>			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	316,644	291,215
540	Transportation	-	-
550	Natural and Economic Environment	-	-
560	Social Services	-	-
570	Culture and Recreation	-	-
598	Miscellaneous Expenses	-	-
	Total Operating Expenditures:	<u>316,644</u>	<u>291,215</u>
	Net Operating Increase (Decrease):	<u>39,553</u>	<u>84,831</u>
<b>Nonoperating Revenues</b>			
370-380, 395 & 398	Other Financing Sources	30,633	-
391-393	Debt Proceeds	-	-
397	Transfers-In	-	-
	Total Nonoperating Revenues:	<u>30,633</u>	<u>-</u>
<b>Nonoperating Expenditures</b>			
580, 596 & 599	Other Financing Uses	-	27,796
591-593	Debt Service	14,280	-
594-595	Capital Expenditures	118,640	-
597	Transfers-Out	-	-
	Total Nonoperating Expenditures:	<u>132,920</u>	<u>27,796</u>
	<b>Net Increase (Decrease) in Cash and Investments:</b>	<b><u>(62,734)</u></b>	<b><u>57,035</u></b>
<b>Ending Cash and Investments</b>			
5081000	Reserved	-	-
5088000	Unreserved	187,204	15,110
	<b>Total Ending Cash and Investments</b>	<b><u>187,204</u></b>	<b><u>15,110</u></b>

The accompanying notes are an integral part of this statement.

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

	<b>Total for All Funds (Memo Only)</b>	<b>650 Treasurer's Trust Fund</b>
308	Beginning Cash and Investments	6,379
388 & 588	Prior Period Adjustments, Net	(6,996)
310-360	Revenues	-
380-390	Other Increases and Financing Sources	3,290
510-570	Expenditures	-
580-590	Other Decreases and Financing Uses	3,550
	Net Increase (Decrease) in Cash and Investments:	(260)
508	Ending Cash and Investments	(876)

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

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

		<u>Total for All Funds (Memo Only)</u>	<u>650 Treasurer's Trust Fund</u>
308	Beginning Cash and Investments	1,558	1,558
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	12,589	12,589
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	7,767	7,767
	Net Increase (Decrease) in Cash and Investments:	<u>4,822</u>	<u>4,822</u>
508	Ending Cash and Investments	6,379	6,379

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

**TOWN OF DARRINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2016 THROUGH DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The Town of Darrington was incorporated on October 15, 1945 and operates under the laws of the State of Washington applicable to a mayor-council form of government. The Town is a general-purpose government and provides public safety, street improvements, parks and recreation, health and social services and general administrative services. In addition, the Town owns and operates a water utility. The Town of Darrington uses single-entry, cash basis accounting which is a departure 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**

The accounts of the Town 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 or expenses, as appropriate. The Town’s resources are allocated to and accounted for in individual funds depending on what they are to be spent for and how they are controlled. The following are the fund types used by the Town.

**GOVERNMENTAL FUND TYPES:**

**General (Current Expense) Fund (No.001)**

This fund is the general operating fund of the Town. It account is for all financial resources and transactions except those required to be accounted for in another fund.

**Special Revenue Funds (Funds in the 100 Series)**

These funds account for revenues derived from specific taxes, grants or other sources that are designated to finance particular activities of the Town.



Debt Service Funds (Fund No. 250 and 260)

These funds account for the accumulation of resources to pay principal, interest and related costs on certain long-term debt.

Capital Projects Fund (Fund No, 350)

This fund accounts for financial resources that are designated for the acquisition or construction of general government capital improvement.

Enterprise Funds (Funds in the 400 Series)

These funds account for the operations that provide goods or services to the general public and are supported primarily government capital improvement.

Trust Funds (Fund No. 650)

This fund earns revenue and makes expenditures on behalf of the parties for which a trust was established. The entire income and principal of an expendable trust may be disbursed in the course of its operations.

**B. BASIS FOR ACCOUNTING AND MEASUREMENT FOCUS**

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

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

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

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

**C. BUDGETS**

Annual Appropriated budgets are adopted for all funds.

Annual appropriated budgets are adopted at the fund level (except the General Fund where budgets are adopted at the department level). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end. The appropriated and actual expenditures for the legally adopted budget were as follows:

<u>Fund/Department</u>	<u>Final Appropriated Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
<b>General Fund-001</b>			
General Government	345,671.28	332,880.02	12,791.26
Police-001	389,000.00	401,790.61	-12,790.61
Street Fund-101	4,039,490.94	2,171,314.57	1,868,176.37
Library Fund-103	19,400.83	14,255.67	5,145.16
Landfill Fund-104	12,178.93	4,427.82	7,751.11
Parks Fund-105	1,053,335.71	103,207.55	950,128.16
Airport Fund-106	97,424.55	5,368.70	92,055.85
<b>Bond</b>			
Redemption Fund-250	2,497.41	794.90	1,702.51
EMS Levy Fund-260	3,044.10	0.00	3,044.10
<b>Capital Improvement</b>			
Fund-350	17,659.73	9,037.93	8,621.80
Water Fund-401	672,124.75	318,366.04	353,758.71
Garbage Fund-402	283,572.70	276,242.42	7,330.28
<b>Water Reserve</b>			
Fund-403	45,900.72	14,088.75	31,811.97
<b>Garbage Reserve</b>			
Fund-404	28,006.54	28,006.37	.17
Cemetery Fund-405	23,500.00	21,174.13	2,325.87
<b>Cemetery Reserve</b>			
Fund-406	15,505.23	0.00	15,505.23
<b>Gathering Place</b>			
Donations Fund-407	1,765.00	0.00	1,765.00
Clean Air Fund-408	11,559.03	9,742.85	1,816.18
<b>Treasurer's Trust</b>			
Fund-650	15,797.71	10,546.26	5,251.45
<b>Alumni/Pioneer Walk</b>			
Fund-701	6126.75	0.00	6,126.75

The Town is authorized to transfer budgeted amounts between departments and/or 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's legislative body.

For reporting purposes, the following funds were rolled up into the C-4 reporting schedule: **General Fund includes:** 001 General Fund, 101 Street Fund, 103 Library Fund, 104 Landfill Fund, 105 Parks Fund, 106 Airport Fund, 107 Youth Fund, 408 Clean Air Fund and 701 Alumni Walk Fund. **Bond Redemption includes:** 250 Bond Redemption Fund and 260 EMS Levy Fund. **Capital Improvement Fund includes:** 350 Capital Improvement Fund, **Water Fund includes:** 401 Water Fund and 403 Water Reserve Fund. **Garbage Fund Includes:** 402 Garbage Fund and 404 Garbage Reserve Fund. **Cemetery Fund includes:** 405 Cemetery Fund, 406 Cemetery Reserve Fund and 407 Gathering Place Fund. **Treasurer's Trust Fund includes:** 650 Treasurer's Trust Fund.

D. CASH AND INVESTMENTS

See Deposits and Investments

E. DEPOSITS AND INVESTMENTS

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

The Town deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

The Town of Darrington's investments are either insured, registered or held by the Town or its' agent in the Town of Darrington's name.

F. COMPENSATED ABSENCES

Vacation leave may be accumulated from succeeding years up to a maximum of 240 hours per the Town Personnel Policy and is payable upon separation or retirement (subject to the maximum allowable per RCW). Sick leave may be accumulated indefinitely, but, upon separation or retirement employees do not receive payment for unused sick leave. Vacation payout figures are recalculated monthly, based on current month's salaries and hourly wages. Increase includes accumulated hours plus the increase in value from the previous year.

G. LONG TERM DEBT

See Note No. 5 (Long Term Debt Note)

H. RISK MANAGEMENT

See Note No. 7 (Risk Management)

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

Reservations of Ending Cash and Investments consist of Reserve for Landfill Closure (104), Capital Improvement (350), Reserve for Water Capital Improvement (403), Cemetery Reserve (406), Cemetery Gathering Place (407), Alumni/Pioneer Walk (701).

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

The Town of Darrington is compliant with the budget as established by the Town Council and expenditures were within the boundaries set by the original budget and amended budget.

**NOTE 3 – PROPERTY TAXES**

The Snohomish County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed at the end of each month.

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

The Town’s regular levy for 2016 was \$2.27 per \$1000.00 on an assessed valuation of \$100,621 a total regular levy of \$ 236,051.44.

**NOTE 4 – INTERFUND LOANS**

The following table displays interfund loan activity during 2016

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2016</u>	<u>New Loans</u>	<u>2016 Interest</u>	<u>2016 Repayments</u>	<u>Balance 12/31/2016</u>
Garbage-402	Street Fund-101	\$15,492.90	0.00	\$8.75	\$15,501.45	\$0.00
Totals		\$15,492.90	0.00	\$8.75	\$15,501.45	\$0.00

**NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt and liabilities of the Town of Darrington and summarizes the Town’s debt transactions for the year ending Dec 31, 2016. The debt service requirements, including interest are as follows:

<u>DWSRF Loan Payment w/interest</u>	<u>Total Loan Balance</u>
--------------------------------------	---------------------------

2016	\$14,088.75	\$76,500.00
2017	\$13,897.50	\$63,750.00
2018	\$13,706.25	\$51,000.00
2019	\$13,515.00	\$38,250.00
2020	\$13,323.75	\$25,500.00
2021	\$13,132.50	\$12,750.00
2022	\$12,941.25	\$ 0.00

**NOTE 6 – PENSION PLANS**

A. State Sponsored Pension Plans

Substantially all Town of Darrington full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: PERS 1 and PERS2/3.

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 98504-8380

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

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

	Allocation %	Liability (Asset)
PERS 1	.000032	1,718.55
PERS 1	.001663	89,310.93
PERS 2/3	.002129	107,193.47

LEOFF Plan 1

The Town of Darrington does not participate in LEOFF Plan 1.

LEOFF Plan 2

The Town of Darrington does not participate in LEOFF Plan 2.

A. Local Government Pension Plans

The Town of Darrington does not participate in any Local Government Pension Plans

**NOTE 7 – RISK MANAGEMENT**

The Town of Darrington 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 jointly purchase insurance and administrative services. As of December 31, 2016, 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 \$15 million in both per occurrence and aggregate liability limits. For the first \$1million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is re-insured by Berkley Public Entity for the additional \$750,000. For the \$9 million in excess 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, this is joint liability among 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.

**NOTE 8 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

This is not applicable to the Town of Darrington as the Town had no federal grants for the 2016 year, and did not receive a federal audit.

**NOTE 9 – OTHER DISCLOSURES**

1) SNOPAC Emergency Communications

The Town of Darrington and other Police and Fire entities (currently 37) operate jointly the Snohomish County Police Staff and Auxiliary Services Center, (SNOPAC). SNOPAC, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOPAC is with an 11-member Board of Directors which is specified in the Interlocal Agreement. SNOPAC takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SNOPAC, any money in the possession of SNOPAC or the Board of Directors after payment of all costs, expenses and charges validly incurred under the Agreements shall be returned to the parties to this Agreements in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the Town of Darrington's share was \$18,385.48 on December 31, 2016.

Complete financial statements for SNOPAC can be obtained from SNOPAC's administrative office at 1121 Everett Mall Way, Suite 200, Everett, WA 98208.

The Town's portion for the 800MHZ multi-jurisdiction project with bonds issued by Snohomish County was \$6,751 for the 2016 fiscal year.

- 2) The Town of Darrington has a commitment to pay for post-employment benefits for employees that belong to LEOFF I. these benefits include medical, vision, dental and prescription drugs. Three (3) retirees received benefits during the year and \$46,423.32 was paid out for these benefits during the 2016 year. The Town of Darrington Received payment in the amount of \$8008.20 from a neighboring city who share on-half the cost for one of the retirees. The net amount paid by the Town of Darrington during 2015 for LEOFF I retirees totaled \$38,415.12.

- 3) The Town of Darrington offers all full-time regular employees health, dental, vision and prescription drug coverage. This coverage is offered through AWC's Employee Benefit Trust. Effective January 1, 2014, the AWC Employee Benefit Trust began self-insuring medical, dental, and vision coverage and provides self-insured coverage through the following carriers: Regence BlueShield/ Asuris Northwest Health, Group Health Cooperative / Group Health Options, Inc., Delta Dental of Washington, and Vision Service Plan. (Other Trust offered insurance products continue to be fully-insured.)



**TOWN OF DARRINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JANUARY 1, 2015 THROUGH DECEMBER 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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These funds account for the accumulation of resources to pay principal, interest and related costs on certain long-term debt.

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This fund accounts for financial resources that are designated for the acquisition or construction of general government capital improvement.

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**C. BUDGETS**

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Annual appropriated budgets are adopted at the fund level (except the General Fund where budgets are adopted at the department level). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end. The appropriated and actual expenditures for the legally adopted budget were as follows:

<u>Fund/Department</u>	<u>Final Appropriated Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund-001			
General Government	172,900.00	296,230.65	-123,330.65
Police-001	459,100.00	232,589.20	226,510.80
Street Fund-101	3,218,150.00	1,249,432.50	1,968,717.50
Library Fund-103	11,500.00	7,258.16	4,241.84
Landfill Fund-104	5,600.00	504.00	5096.00
Parks Fund-105	1,074,240.00	22,728.17	1,051,511.83
Airport Fund-106	9,500.00	5,114.02	4,385.98
Youth Fund-107	620.00	620.65	-65
Bond			
Redemption Fund-250	3,000.00	501.40	2,498.60
EMS Levy Fund-260	3,000.00	0.00	3,000.00
Capital Improvement			
Fund -350	0.00	7,465.40	-7,465.40
Water Fund-401	709,500.00	449,564.30	259,935.70
Garbage Fund-402	231,000.00	319,011.56	-88,011.66
Water Reserve			
Fund-403	55,100.00	0.00	55,100.00
Garbage Reserve			
Fund-404	8,500.00	0.00	8,500.00
Cemetery Fund-405	18,500.00	13,754.58	4,745.42
Cemetery Reserve			
Fund-406	15,000.00	0.00	15,000.00
Gathering Place			
Donations Fund-407	1,800.00	0.00	1,800.00
Clean Air Fund-408	7,500.00	6,590.41	909.59
Investment			
Trust Fund-601	0.00	0.00	0.00
Treasurer's Trust			
Fund-650	0.00	7,767.31	-7,761.31
Alumni/Pioneer Walk			
Fund-701	5,300.00	612.90	4,687.10

The Town is authorized to transfer budgeted amounts between departments and/or 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's legislative body.

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D. CASH AND INVESTMENTS

See Deposits and Investments

E. DEPOSITS AND INVESTMENTS

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

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See Note No. 5 (Long Term Debt Note)

H. RISK MANAGEMENT

See Note No. 7 (Risk Management)

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**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

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The Snohomish County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed at the end of each month.

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

The Town’s regular levy for 2015 was \$2.26 per \$1000.00 on an assessed valuation of \$89,647 for a total regular levy of \$ 203,066.98.

**NOTE 4 – INTERFUND LOANS**

The following table displays interfund loan activity during 2015

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2015</u>	<u>New Loans</u>	<u>2015 Interest</u>	<u>2015 Repayments</u>	<u>Balance 12/31/2015</u>
Garbage-402	Street Fund-101	\$18,555.54	0.00	\$55.54	\$3,085.84	\$15,525.24
Capital Improv Fund-350	Water Reserve Fund-403	\$7,458.88	0.00	\$6.52	\$7,465.40	0.00
Garbage-402	Water-401	\$23,138.31	0.00	\$29.30	\$23,167.61	0.00
Totals		\$49,152.73	0.00	\$91.36	\$33,718.85	\$15,525.24

**NOTE 5 – DEBT SERVICE REQUIREMENTS**

The accompanying Schedule of Liabilities (09) provides a listing of the outstanding debt and liabilities of the Town of Darrington and summarizes the Town’s debt transactions for the year ending Dec 31, 2015. The debt service requirements, including interest are as follows:

	<u>DWSRF Loan Payment w/interest</u>	<u>Total Loan Balance</u>
2015	\$14,280.00	\$89,250.00
2016	\$14,088.75	\$76,500.00
2017	\$13,897.50	\$63,750.00
2018	\$13,706.25	\$51,000.00
2019	\$13,515.00	\$38,250.00
2020	\$13,323.75	\$25,500.00
2021	\$13,132.50	\$12,750.00
2022	\$12,941.25	\$ 0.00

**NOTE 6 – PENSION PLANS**

**A. State Sponsored Pension Plans**

Substantially all Town of Darrington full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: PERS 1 and PERS2/3.

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 98504-8380

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

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

	Allocation %	Liability (Asset)
PERS 1	.000117	6,120.19
PERS 1	.001485	77,679.31
PERS 2/3	.001919	68,566.96

**LEOFF Plan 1**

The Town of Darrington does not participate in LEOFF Plan 1.

**LEOFF Plan 2**

The Town of Darrington does not participate in LEOFF Plan 2.

**B. Local Government Pension Plans**

The Town of Darrington does not participate in any Local Government Pension Plans

**NOTE 7 – RISK MANAGEMENT**

The Town of Darrington 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. 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 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 \$1million, AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$250,000, per occurrence, and is re-insured 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. 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 a 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.

**NOTE 8 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

This is not applicable to the Town of Darrington as the Town had no federal grants for the 2015 year, and did not receive a federal audit.

**NOTE 9 – OTHER DISCLOSURES**

1) SNOPAC Emergency Communications

The Town of Darrington and other Police and Fire entities (currently 37) operate jointly the Snohomish County Police Staff and Auxiliary Services Center, (SNOPAC). SNOPAC, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOPAC is with an 11-member Board of Directors which is specified in the Interlocal Agreement. SNOPAC takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

In the event of the dissolution of SNOPAC, any money in the possession of SNOPAC or the Board of Directors after payment of all costs, expenses and charges validly incurred under the Agreements shall be returned to the parties to this Agreements in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the Town of Darrington's share was \$21,089 on December 31, 2015.

Complete financial statements for SNOPAC can be obtained from SNOPAC's administrative office at 1121 Everett Mall Way, Suite 200, Everett, WA 98208.

The Town's portion for the 800MHZ multi-jurisdiction project with bonds issued by Snohomish County was \$7,800 for the 2015 fiscal year.



- 2) The Town of Darrington has a commitment to pay for post-employment benefits for employees that belong to LEOFF I. these benefits include medical, vision, dental and prescription drugs. Three (3) retirees received benefits during the year and \$59,458.68 was paid out for these benefits during the 2015 year. The Town of Darrington Received payment in the amount of \$9,909.84 from a neighboring city who share on-half the cost for one of the retirees. The net amount paid by the Town of Darrington during 2015 for LEOFF I retirees totaled \$49,548.84.
  
- 3) In 2014 the Town of Darrington converted all accounting software to “Visions”, the beginning balances for 2014 were improperly entered. An adjustment of \$143,861.00 was made to the 2014 ending so 2015 beginning would be correct. This correction was done in the 2015 year. Independent oversight was obtained from Ruth Mueller and employee of The Prothman Company

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

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	employee compensated absences	12/31/2016	19,273	8,268	16,500	11,041
263.52	Toshiba Copier Lease	2/11/2017	3,619	-	3,619	-
263.52	QBSI xerox copier	3/25/2022	8,678	-	1,446	7,232
263.52	Tamco telephones	7/11/2018	2,140	-	1,284	856
264.30	employee pension liability		125,807	-	18,614	107,193
263.82	Water TAnk #2 DWSRF Loan	10/1/2022	89,250	-	12,750	76,500
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>248,768</b>	<b>8,268</b>	<b>54,213</b>	<b>202,823</b>
<b>Total Liabilities:</b>			<b>248,768</b>	<b>8,268</b>	<b>54,213</b>	<b>202,823</b>

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absenses		12,762	7,058	1,099	18,721
263.52	Toshiba Copier Lease	2/11/2017	5,815	-	2,196	3,619
263.82	Water TAnk #2 DWSRF Loan	10/1/2022	102,000	-	12,750	89,250
264.30	Pension Liabilities		-	125,807	-	125,807
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>120,577</b>	<b>132,866</b>	<b>16,045</b>	<b>237,398</b>
<b>Total Liabilities:</b>			<b>120,577</b>	<b>132,866</b>	<b>16,045</b>	<b>237,398</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>