



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Town of Darrington

For the period January 1, 2021 through December 31, 2022

Published February 1, 2024

Report No. 1034149



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

February 1, 2024

Mayor and Town 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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Town of Darrington January 1, 2021 through December 31, 2022

2022-001 The Town's internal controls were inadequate for ensuring accurate financial reporting.

Background

The Town's governing body and management are responsible for designing, implementing and maintaining internal controls that provide reasonable assurance financial reporting is accurate and complete.

The Town prepares its financial statements in accordance with the cash-basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS Manual).

Government Auditing Standards requires the State Auditor's Office to communicate material weaknesses in internal controls as a finding. The Applicable Laws and Regulations section below defines the standards for material weaknesses.

Description of Condition

During the current audit, we found a material weakness in internal controls over the Town's processes for preparing and reviewing the Schedule of Liabilities and notes to the financial statements to ensure they were accurate and complete before submitting them for audit. The Town did not have a process in place to fully evaluate the BARS Manual requirements to ensure it accurately reported all required liabilities and note disclosures.

We reported a finding in the prior audit related to this internal control weakness.

Cause of Condition

Employees responsible for financial reporting did not adequately review the BARS Manual requirements for preparing the Schedule of Liabilities and notes to the financial statements to ensure they were accurate.

Additionally, the Town's secondary review of the financial statements was insufficiently detailed to identify and correct errors before audit.

Effect of Condition

We found the Town understated its 2021 and 2022 other postemployment benefit (OPEB) liabilities by \$1,577,083 and \$1,514,052, respectively, on the Schedule of Liabilities. In addition, we noted the Town overstated its pension liability for both 2021 and 2022 and had various misstatements throughout the notes to the financial statements for both 2021 and 2022.

The Town subsequently corrected the errors on its Schedule of Liabilities.

Recommendation

We recommend the Town strengthen internal controls over preparing and reviewing accompanying schedules and notes to ensure they are accurate and meet the BARS Manual's reporting requirements.

Town's Response

Additional training will be offered to the Town's employees, so that they understand the reporting processes.

Auditor's Remarks

We appreciate the Town's commitment to resolving the issues noted and will follow up during the next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the state auditor to prescribe and install a uniform system of accounting and reporting for all local governments.

Budgeting, Accounting and Reporting System (BARS Manual), 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

BARS Manual, 4.14.13, Liabilities (Schedule 09), requires each local government to provide information about the liabilities of the government on the Schedule of Liabilities (Schedule 09). This includes other postemployment benefits in accordance with BARS Manual section 3.4.16, Other Postemployment Benefits (OPEB).



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Town of Darrington January 1, 2021 through December 31, 2022

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

Audit Period: 2019-2020	Report Ref. No.: 1030569	Finding Ref. No.: 2020-001
Finding Caption: The Town's internal controls were inadequate for ensuring accurate financial reporting.		
Background: The prior audit identified deficiencies in internal controls over accounting and financial statement reporting that represent a material weakness. Specifically, the Town did not: <ul style="list-style-type: none">• Adequately research new accounting changes to understand the requirements for reporting and disclosing the Town's postemployment benefits other than pensions (OPEB) liability.• Perform an effective secondary review process of the financial statements to identify and correct errors before audit.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Additional training will be offered to the Towns employees, so that they understand the reporting processes.</i>		

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Town of Darrington January 1, 2021 through December 31, 2022

Mayor and Town 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, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated January 25, 2024.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001 that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

TOWN'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

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

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

Pat McCarthy, State Auditor

Olympia, WA

January 25, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Town of Darrington January 1, 2021 through December 31, 2022

Mayor and Town Council
Town of Darrington
Darrington, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Town of Darrington, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the Town has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Town of Darrington, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Town of Darrington, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the Town in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis, as required by the prescribed BARS Manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2024 on our consideration of the Town's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

January 25, 2024

FINANCIAL SECTION

Town of Darrington January 1, 2021 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Fund Resources and Uses Arising from Cash Transactions – 2021
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2022
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Liabilities – 2021

Town of Darrington
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	250 Bond Redemption Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	290,827	123,568	23,395	4,729
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	655,566	505,892	102,700	-
320	Licenses and Permits	359,324	359,324	-	-
330	Intergovernmental Revenues	405,496	251,967	37,826	-
340	Charges for Goods and Services	745,286	229	465	-
350	Fines and Penalties	24,088	3,119	-	-
360	Miscellaneous Revenues	182,644	25,522	52,988	-
Total Revenues:		2,372,404	1,146,053	193,979	-
Expenditures					
510	General Government	358,698	330,267	28,431	-
520	Public Safety	474,373	474,373	-	-
530	Utilities	725,628	-	10,910	-
540	Transportation	101,960	-	101,960	-
550	Natural/Economic Environment	127,568	66,465	-	-
560	Social Services	435	435	-	-
570	Culture and Recreation	61,529	309	61,220	-
Total Expenditures:		1,850,191	871,849	202,521	-
Excess (Deficiency) Revenues over Expenditures:		522,213	274,204	(8,542)	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	59,050	-	13,702	-
385	Special or Extraordinary Items	12,119	5,844	6,275	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		71,169	5,844	19,977	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	319,647	-	-	-
591-593, 599	Debt Service	12,938	-	-	-
597	Transfers-Out	59,050	13,702	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		391,635	13,702	-	-
Increase (Decrease) in Cash and Investments:		201,747	266,346	11,435	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	492,569	389,912	34,828	4,729
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		492,569	389,912	34,828	4,729

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, 2022

		350 Capital Improvement Fund	401 Water Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	-	139,135
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	46,974	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	30,667	85,036
340	Charges for Goods and Services	-	744,592
350	Fines and Penalties	-	20,969
360	Miscellaneous Revenues	100,001	4,133
Total Revenues:		177,642	854,730
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	714,718
540	Transportation	-	-
550	Natural/Economic Environment	-	61,103
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	775,821
Excess (Deficiency) Revenues over Expenditures:		177,642	78,909
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	-	45,348
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		-	45,348
Other Decreases in Fund Resources			
594-595	Capital Expenditures	165,626	154,021
591-593, 599	Debt Service	-	12,938
597	Transfers-Out	-	45,348
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		165,626	212,307
Increase (Decrease) in Cash and Investments:		12,016	(88,050)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	12,016	51,084
50841	Committed	-	-
50851	Assigned	-	-
50891	Unassigned	-	-
Total Ending Cash and Investments		12,016	51,084

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

		Total for All Funds (Memo Only)	001 Current Expense Fund	101 Street Fund	250 Bond Redemption Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	292,214	23,283	20,182	4,729
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	642,719	488,616	100,117	-
320	Licenses and Permits	174,563	174,563	-	-
330	Intergovernmental Revenues	742,117	243,731	32,327	-
340	Charges for Goods and Services	713,777	12	160	-
350	Fines and Penalties	9,659	3,219	-	-
360	Miscellaneous Revenues	121,787	18,111	20,986	-
Total Revenues:		2,404,622	928,252	153,590	-
Expenditures					
510	General Government	304,688	267,957	36,731	-
520	Public Safety	467,834	467,834	-	-
530	Utilities	762,211	-	15,307	-
540	Transportation	86,481	-	86,481	-
550	Natural/Economic Environment	2,278	1,628	-	-
560	Social Services	531	531	-	-
570	Culture and Recreation	45,043	-	45,043	-
Total Expenditures:		1,669,066	737,950	183,562	-
Excess (Deficiency) Revenues over Expenditures:		735,556	190,302	(29,972)	-
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	104,794	-	27,190	-
385	Special or Extraordinary Items	14,533	8,541	5,992	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		119,327	8,541	33,182	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	738,267	-	-	-
591-593, 599	Debt Service	13,133	-	-	-
597	Transfers-Out	104,794	98,557	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		856,194	98,557	-	-
Increase (Decrease) in Cash and Investments:		(1,311)	100,286	3,210	-
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	167,259	-	23,395	4,729
50841	Committed	-	-	-	-
50851	Assigned	-	-	-	-
50891	Unassigned	123,568	123,568	-	-
Total Ending Cash and Investments		290,827	123,568	23,395	4,729

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, 2021

		350 Capital Improvement Fund	401 Water Fund
Beginning Cash and Investments			
308	Beginning Cash and Investments	53,385	190,635
388 / 588	Net Adjustments	-	-
Revenues			
310	Taxes	53,986	-
320	Licenses and Permits	-	-
330	Intergovernmental Revenues	466,059	-
340	Charges for Goods and Services	-	713,605
350	Fines and Penalties	-	6,440
360	Miscellaneous Revenues	75,169	7,521
Total Revenues:		595,214	727,566
Expenditures			
510	General Government	-	-
520	Public Safety	-	-
530	Utilities	-	746,904
540	Transportation	-	-
550	Natural/Economic Environment	-	650
560	Social Services	-	-
570	Culture and Recreation	-	-
Total Expenditures:		-	747,554
Excess (Deficiency) Revenues over Expenditures:		595,214	(19,988)
Other Increases in Fund Resources			
391-393, 596	Debt Proceeds	-	-
397	Transfers-In	71,367	6,237
385	Special or Extraordinary Items	-	-
381, 382, 389, 395, 398	Other Resources	-	-
Total Other Increases in Fund Resources:		71,367	6,237
Other Decreases in Fund Resources			
594-595	Capital Expenditures	719,965	18,302
591-593, 599	Debt Service	-	13,133
597	Transfers-Out	-	6,237
585	Special or Extraordinary Items	-	-
581, 582, 589	Other Uses	-	-
Total Other Decreases in Fund Resources:		719,965	37,672
Increase (Decrease) in Cash and Investments:		(53,384)	(51,423)
Ending Cash and Investments			
50821	Nonspendable	-	-
50831	Restricted	-	139,135
50841	Committed	-	-
50851	Assigned	-	-
50891	Unassigned	-	-
Total Ending Cash and Investments		-	139,135

Town of Darrington
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022

		<u>Custodial</u>
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	3,530
510-590	Deductions	3,530
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	-

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, 2021

		<u>Custodial</u>
308	Beginning Cash and Investments	-
388 & 588	Net Adjustments	-
310-390	Additions	6,693
510-590	Deductions	6,693
	Net Increase (Decrease) in Cash and Investments:	-
508	Ending Cash and Investments	-

The accompanying notes are an integral part of this statement.

Town of Darrington
Notes to Financial Statements
January 1, 2022 through December 31, 2022

Note 1 - Summary of Significant Accounting Policies

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 of Darrington is a general-purpose local government and provides for public safety, garbage services, street and sidewalk maintenance and improvement, parks/recreation maintenance and general administrative services. In addition, the Town of Darrington owns and operates a water utility, a public airport and a cemetery.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund (001)

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

Special Revenue Funds (100 Series)

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

Debt Service Funds (250 and 260)

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 (350)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400 Series)

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Private-Purpose Trust Funds (650)

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

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

C. Cash and Investments

See Note 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement as per the Town Personnel Policy. 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.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave as per the Town Personnel Policy. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 7 – *Long-Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of:

403 – Reserve for Water Capital Improvement \$44,734.31

This is revenue from a surcharge on customer water bills, to be used for Water Department Capital Improvement projects.

406 – Cemetery Reserve Fund \$440.72

This is revenue from citizen donations to the Town Cemetery for the upkeep of cemetery plots.

Note 2 - Budget Compliance

The Town of Darrington adopts annual appropriated budgets for 001, 101, 103, 104, 105, 106, 108, 250, 260, 350, 401, 402, 403, 405, 406, 407 and 650 funds. These budgets are appropriated at the fund level except the general fund (001), where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriations Amounts	Actual Expenditures	Variance
001 General Fund:			
001 Public Safety Department	\$ 516,000.00	\$ 474,620.23	\$ 41,379.77
001 General Admin Department	\$ 598,850.66	\$ 410,931.10	\$ 187,919.56
001 Total General Fund	\$ 1,114,850.66	\$ 885,551.33	\$ 229,299.33
101 Street Fund	\$ 102,548.53	\$ 96,454.47	\$ 6,094.06
103 Library Fund	\$ 8,168.12	\$ 7,892.85	\$ 275.27
104 Reserve for landfill Closure Fund	\$ 10,001.00	\$ 1,247.63	\$ 8,753.37
105 Parks Fund	\$ 82,200.00	\$ 81,759.61	\$ 440.39
106 Airport Fund	\$ 26,178.08	\$ 5,507.01	\$ 20,671.07
108 Clean Air Fund	\$10,500.00	\$ 9,662.26	\$ 837.74
250 Bond Redemption Fund	\$ 1,685.11	\$ 0.00	\$ 1,685.11
260 EMS Levy Fund	\$ 3,044.10	\$ 0.00	\$ 3,044.10
350 Capital Improvement Fund	\$ 7,722,551.30	\$165,626.23	\$ 7,556,925.07
401 Water Fund	\$ 825,162.12	\$ 388,661.94	\$ 436,500.18
402 Garbage Fund	\$ 454,500.00	\$ 453,907.17	\$ 592.83
403 Reserve for Water Capital Improv Fund	\$ 173,389.03	\$ 113,044.40	\$ 60,344.63
405 Cemetery Fund	\$ 43,680.97	\$ 32,513.62	\$ 11,167.35
406 Cemetery Reserve Fund	\$ 445.72	\$ 0.00	\$ 445.72
650 Treasurer's Trust Fund	\$ 8,000.00	\$ 3,529.87	\$ 4,470.13

Budgeted amounts are authorized to be transferred between (departments within any fund); 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 Darrington's legislative body.

For reporting purposes, the following funds were rolled up into the C-4 reporting schedule:

General Fund includes: 001 General Fund

Special Revenue Funds includes: 101 Street Fund, 103 Library Fund, 104 Landfill Fund, 105 Parks Fund, 106 Airport Fund, 108 Clean Air Fund

Debt Service Funds includes: 250 Bond Redemption Fund, 260 EMS Levy Fund

Capital Projects Funds includes: 350 Capital Improvement Fund

Enterprise Funds includes: 401 Water Fund, 402 Garbage Fund, 403 Reserve for Water Capital Improvements, 405 Cemetery Fund, 406 Cemetery Reserve Fund

Private Purpose Funds includes: 650 Treasures Trust Fund

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The Town of Darrington suspended all late and disconnection fees on our water and garbage services. Per the governors orders all disconnection of water services were suspended and any customer experiencing financial hardship due to COVID-19 were offered financial aid and/or payment plans. When the governors orders expired, late and disconnection fees were reinstated.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Town of Darrington is unknown at this time.

Note 4 – Deposits and Investments

Cash on hand on December 31, 2022 is \$100.00.

The carrying amount of the Town of Darrington's bank deposits is the balance of \$ 504,121.41 for the year ending December 31,2022.

Investments are reported at fair value. Deposits and investments by type at December 31, 2022 are as follows:

Type of deposit or investment	Town of Darrington's own deposits and investments	Total
Bank deposits	\$ 73,942.44	\$ 73,942.44
Total	\$ 73,942.44	\$ 73,942.44

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

Custodial Credit Risk

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

All investments are covered by the Federal Deposit Insurance Corporation, registered or held by the Town of Darrington or its agent in the government's name.

Note 5 - Interfund Loans

Interfund loans are used to replenish negative fund balances. The Town Council approved an interfund loan that will charge interest on the loan.

The following table displays interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Payments	Balance 12/31/2022
402 garbage fund	401 water fund	\$ 6,344.63	\$ 0.00	\$ 6,344.63	\$ 0.00
Totals	\$ 6,344.63	\$ 0.00	\$ 0.00	\$ 6,344.63	\$ 0.00

Note 6 – Leases

The Town of Darrington Leases 1 copier from Xerox Financial Services for \$129.98 per month under a 60 month lease agreement that can be cancelled with a 90-days' notice and severe penalties.

The total amount paid for leases in 2022 was \$1,559.76, the future minimum lease payments are as follows:

Year ended December 31	Total
2022	\$1,559.76
2023	\$1,559.76
2024	\$1,559.76
2025	\$1,559.76
2026	\$1,559.76

Note 7 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the Town of Darrington and summarizes the Town of Darrington's debt transactions for year ended December 31, 2022.

The debt service requirements for general obligation bonds, revenue bonds and reserve for water capital improvements are as follows:

Year	Principal	Interest	Total
2022	\$19,438.87	\$ 1,094.25	\$20,533.12
Total	\$19,438.87	\$ 1,094.25	\$ 20,533.12

The Town of Darrington entered into a contract on February 20, 2002 with Washington State Department of Trade and Economic Development, Drinking Water State Revolving Fund Loan, for the amount not to exceed \$204,000.00. Principal payments of \$12,750.00 plus the interest rate of 1.5% per annum on the outstanding principal balance are due once a year. The term of this loan shall not exceed 20 years, with the final payment due October 1, 2022.

The Town of Darrington entered into a contract on January 1, 2020 with Snohomish County Public Works Assistance Fund for the amount not to exceed \$ 60,200.00. Principal payments of \$6,688.87 plus the interest rate of 1.5% per annum on the outstanding principal balance are due once a year. The term of this loan shall not exceed ten years, with the final payment due July 1, 2030.

Note 8 – OPEB Plans

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined benefit OPEB Plan administered by the Town of Darrington as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go-basis. These benefits include medical, vision, dental and prescription drugs. As of December 31, 2022, the plan had 3 retired members. The total paid for benefits in the year of 2022 was \$ 39,620.38. The Town of Darrington received payment in the amount of \$ 5,844.19 from a neighboring city who shares one-half of the cost of one retiree. The net amount paid by the Town of Darrington for LEOFF 1 retirees totaled \$ 33,776.19. As of December 31, 2022, the Town of Darrington's liability was \$ 1,556,068 per the LEOFF OPEB tool.

Note 9 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Town of Darrington'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 Public Employees' Retirement System (PERS) Plans 1,2/3.

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

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

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

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

At June 30, 2022 the Town of Darrington's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 9,247.00	.001509%	\$ 42,016.00
PERS 2/3	\$15,854.00	.001973%	0
LEOFF 1	\$ 0.00	.000876%	0

LEOFF Plan 1

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

B. Local Government Pension Plans

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

C. Defined Contribution Pension Plans

The Town of Darrington does not participate in any Defined Contribution Pension Plans.

Note 10 - Property Tax

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

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

The Town of Darrington's regular levy for the year 2022 was \$1.364 per \$1,000 on an assessed valuation of \$201,564,014 for a total regular levy of \$273,958.17.

Note 11 – Risk Management

The Town of Darrington 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, 2022, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregated policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 12 – Other Disclosures

A. SNOHOMISH COUNTY 911

The Town of Darrington and other Police and Fire entities jointly operate Snohomish County 911. Snohomish County 911, 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, EMS and other service districts to enter into a contract and agreement

to jointly establish, maintain and operate a support communications center. Control of Snohomish County 911 is with a 16-member Board of Directors which is specified in the Interlocal Agreement. Snohomish County 911 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 Snohomish County 911, any money in the possession of Snohomish County 911 or the Board of Directors after payment of all costs, expenses and charges validly incurred under this Agreement shall returned to the parties of this Agreement and shall be apportioned between Principals based on the ratio that the average of each Principals' contributions to the operating budget over the preceding five (5) years bears to the total of all remaining Principals' User Fees paid during such five-year period. Before deducting the payment of all costs, expense and charges validly incurred, the Town of Darrington's assessment was \$17,883.60 for the year ending December 31, 2022.

Complete financial statements for Snohomish County 911 can be obtained from their administrative office, by writing to:

Snohomish County 911
1121 SE Everett Mall Way
Suite 200
Everett, WA 98208

Town of Darrington
Notes to Financial Statements
January 1, 2021 through December 31, 2021

Note 1 - Summary of Significant Accounting Policies

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 of Darrington is a general-purpose local government and provides for public safety, garbage services, street and sidewalk maintenance and improvement, parks/recreation maintenance and general administrative services. In addition, the Town of Darrington owns and operates a water utility, public airport and cemetery.

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

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund (001)

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

Special Revenue Funds (100 Series)

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

Debt Service Funds (250 and 260)

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 (350)

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

PROPRIETARY FUND TYPES:

Enterprise Funds (400 Series)

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

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Pension (and Other Employee Benefit) Trust Funds

These funds are used to report fiduciary activities for pension and OPEB plans administered through trust.

Private-Purpose Trust Funds (650)

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

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

C. Cash and Investments

See Note 4 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000.00 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 days and is payable upon separation or retirement as per the Town Personnel Policy. 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.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave as per the Town Personnel Policy. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 6 – *Long-Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

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

Restrictions and commitments of Ending Cash and Investments consist of:

403 – Reserve for Water Capital Improvement \$119,873.03

This is revenue from a surcharge on customer water bills, to be used for Water Department Capital Improvement projects.

406 – Cemetery Reserve Fund \$440.72

This is revenue from citizen donations to the Town Cemetery for the up keep of cemetery plots.

Note 2 - Budget Compliance

The Town of Darrington adopts annual appropriated budgets for 001, 101, 103, 104, 105, 106, 108, 250, 260, 350, 401, 402, 403, 405, 406, 407 and 650 funds. These budgets are appropriated at the fund level except the general fund (001), where budget is adopted at the department level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

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

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

Fund/Department	Final Appropriations Amounts	Actual Expenditures	Variance
001 General Fund:			
001 Public Safety Department	\$ 467,500.00	\$ 470,238.38	-\$ 2,738.38
001 General Admin Department	\$ 376,682.73	\$ 366,269.72	\$ 10,413.01
001 Total General Fund	\$ 844,182.73	\$ 836,508.10	\$ 7,674.63
101 Street Fund	\$ 95,108.44	\$ 81,845.98	\$ 13,262.46
103 Library Fund	\$ 8,000.00	\$ 5,823.70	\$ 2,176.30
104 Reserve for landfill Closure Fund	\$ 7,017.67	\$ 7,015.50	\$ 2.17
105 Parks Fund	\$ 76,385.75	\$ 75,949.43	\$ 436.32
106 Airport Fund	\$ 17,394.17	\$ 4,635.11	\$ 12,759.06
108 Clean Air Fund	\$9,809.87	\$ 8,290.89	\$ 1,518.98
250 Bond Redemption Fund	\$ 1,685.11	\$ 0.00	\$ 1,685.11
260 EMS Levy Fund	\$ 3,044.10	\$ 0.00	\$ 3,044.10
350 Capital Improvement Fund	\$ 8,246,405.06	\$719,965.19	\$ 7,526,439.87
401 Water Fund	\$ 863,796.25	\$ 307,993.38	\$ 555,802.87
402 Garbage Fund	\$ 413,810.54	\$ 411,859.78	\$ 1,950.77
403 Reserve for Water Capital Improv Fund	\$ 152,178.89	\$ 13,782.16	\$ 138,396.73
405 Cemetery Fund	\$ 43,533.53	\$ 33,291.98	\$ 10,241.55

406 Cemetery Reserve Fund	\$ 15,570.21	\$ 15,119.80	\$ 450.41
407 Gathering Place Donations Fund	\$ 3,183.84	\$ 3,182.38	\$ 1.46
650 Treasurer's Trust Fund	\$ 7,000.00	\$ 6,693.41	\$ 306.59

Budgeted amounts are authorized to be transferred between (departments within any fund); 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 Darrington's legislative body.

For reporting purposes, the following funds were rolled up into the C-4 reporting schedule:

General Fund includes: 001 General Fund

Special Revenue Funds includes: 101 Street Fund, 103 Library Fund, 104 Landfill Fund, 105 Parks Fund, 106 Airport Fund, 108 Clean Air Fund

Debt Service Funds includes: 250 Bond Redemption Fund, 260 EMS levy Fund

Capital Projects Funds includes: 350 Capital Improvement Fund

Enterprise Funds includes: 401 Water Fund, 402 Garbage Fund, 403 Reserve for Water Capital Improvements, 405 Cemetery Fund, 406 Cemetery Reserve Fund 407 Gathering Place Donations

Private Purpose Funds includes: 650 Treasures Trust Fund

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The Town of Darrington suspended all late and disconnection fees on our water and garbage services. Per the governors orders all disconnection of water services were suspended and any customer experiencing financial hardship due to COVID-19 were offered financial aid and/or payment plans. When the governors orders expired, late and disconnection fees were reinstated.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the Town of Darrington is unknown at this time.

Note 4 – Deposits and Investments

Cash on hand on December 31, 2021 is \$100.00.

The carrying amount of the Town of Darrington's bank deposits is the balance of \$ 290,826.80 for the year ending December 31,2021

Investments are reported at fair value. Deposits and investments by type at December 31, 2021 are as follows:

Type of deposit or investment	Town of Darrington's own deposits and investments	Total
Bank deposits	\$ 73,928.87	\$ 73,928.87
Total	\$ 73,928.87	\$ 73,928.87

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

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

Custodial Credit Risk

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

All investments are covered by the Federal Deposit Insurance Corporation, registered or held by the Town of Darrington or its agent in the government's name.

Note 5 - Interfund Loans

Interfund loans are used to replenish negative fund balances. The Town Council approved an interfund loan that will charge interest on the loan.

The following table displays interfund loan activity during 2021:

Borrowing Fund	Lending Fund	Balance 1/1/2021	New Loans	Payments	Balance 12/31/2021
005 parks fund	101 street fund	\$ 13,135.61	\$ 0.00	\$ 13,135.61	\$ 0.00
103 library fund	101 street fund	\$899.22	0.00	\$ 899.22	0.00
Totals		\$ 14,034.83	\$ 0.00	\$ 14,034.83	\$ 0.00

Note 6 – Long-Term Debt

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

The debt service requirements for general obligation bonds, revenue bonds and reserve for water capital improvements are as follows:

Year	Principal	Interest	Total
2021	\$12,750.00	\$ 1,032.16	\$13,782.16
2022	\$19,438.87	\$ 1,094.25	\$20,533.12
2023	\$ 6,688.87	\$ 802.66	\$ 7,491.53
2024	\$ 6,688.87	\$ 702.33	\$ 7,391.20
2025	\$ 6,688.87	\$ 602.00	\$ 7,290.87
2026	\$ 6,688.87	\$ 501.66	\$ 7,190.53
2027	\$ 6,688.87	\$ 401.33	\$ 7,090.20
2028	\$ 6,688.87	\$ 301.00	\$ 6,989.87
2029	\$ 6,688.87	\$ 200.67	\$ 6,889.54
2030	\$ 6,688.84	\$ 100.33	\$ 6,789.17
Total	\$85,699.83	\$ 5,738.39	\$ 91,438.19

The Town of Darrington entered into a contract on February 20, 2002 with Washington State Department of Trade and Economic Development, Drinking Water State Revolving Fund Loan, for the amount not to exceed \$204,000.00. Principal payments of \$12,750.00 plus the interest rate of 1.5% per annum on the outstanding principal balance are due once a year. The term of this loan shall not exceed 20 years, with the final payment due October 1, 2022.

The Town of Darrington entered into a contract on January 1, 2020 with Snohomish County Public Works Assistance Fund for the amount not to exceed \$ 60,200.00. Principal payments of \$6,688.87 plus the interest rate of 1.5% per annum on the outstanding principal balance are due once a year. The term of this loan shall not exceed ten years, with the final payment due July 1, 2030.

Note 7 – OPEB Plans

The LEOFF 1 Retiree Medical Plan is a closed, single-employer, defined benefit OPEB Plan administered by the Town of Darrington as required by RCW 41.26. The plan pays for 100% of eligible retirees' healthcare costs on a pay-as-you-go-basis. These benefits include medical, vision, dental and prescription drugs. As of December 31, 2021, the plan had 3 retired members. The total paid for benefits in the year of 2021 was \$ 38,098.76. The Town of Darrington received payment in the amount of \$ 8,541.10 from a neighboring city who shares one-half of the cost of one retiree. The net amount paid by the Town of Darrington for LEOFF 1 retirees totaled \$ 29,557.66. As of December 31, 2021 liability amount for OPEB was \$ 1,577,083 per the LEOFF OPEB tool.

Note 8 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Town of Darrington'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 Public Employees' Retirement System (PERS) Plans 1,2/3.

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

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

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

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

At June 30, 2021 the Town of Darrington's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 11,887.05	.001596%	\$ 19,490.89
PERS 2/3	\$19,404.44	.002048%	-204,013.75
LEOFF 1	\$ 0.00	.000852%	-29,185.79

LEOFF Plan 1

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

B. Local Government Pension Plans

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

C. Defined Contribution Pension Plans

The Town of Darrington does not participate in any Defined Contribution Pension Plans.

Note 9 - Property Tax

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

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

The Town of Darrington's regular levy for the year 2021 was \$1.52 per \$1,000 on an assessed valuation of \$175,363,294 for a total regular levy of \$266,752.25.

Note 10 – Risk Management

The Town of Darrington 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, 2021, 262 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.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan

subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

Note 11 – Other Disclosures

A. SNOHOMISH COUNTY 911

In 2018 the Snohomish County Regional Public Safety Communication Agency started the merger processes with the Snohomish County Emergency Radio System. The name of the surviving corporation shall continue to be Snohomish County Regional Public Safety Communication Agency ("Snohomish County 911"). Final merger date shall be Jan 1, 2019.

This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts, ems and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of Snohomish County 911 is with a 16-member Board of Directors which is specified in the Interlocal Agreement. Snohomish County 911 takes 911 calls, and performs emergency dispatch services for local governmental agencies including police, fire and medical aid.

Before deducting the payment of all costs, expense and charges validly incurred, the Town of Darrington's assessment was \$16,645.08 for the year ending December 31, 2021.

Complete financial statements for Snohomish County 911 can be obtained from their administrative office, by writing to:

Snohomish County 911
1121 SE Everett Mall Way
Suite 200
Everett, WA 98208

B. Snohomish Health District

The Snohomish Health District was created in 1959 as an independent special purpose district responsible for public health in Snohomish County. They are separate from Snohomish County government, although all five Snohomish County Council members sit on the Board of Health, together with 10 city/town council members or mayors representing the cities and towns. Public meetings of the Board of Health are held monthly.

The Snohomish Health District provides a wide range of programs and services that protect and promote the health of individuals, families and communities through disease prevention, health promotion and protection from environmental threats. The Town of Darrington's assessment was \$1,420.00 for the year ending December 31, 2021.

Complete financial statements for Snohomish Health District can be obtained by writing to:

Snohomish Health District
3020 Rucker Avenue
Suite 306
Everett, WA 98201

**Town of Darrington
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	compensated absences	12/31/2022	4,201	8,878	7,531	5,548
264.30	employee pension liability	12/31/2022	19,491	22,525	-	42,016
264.40	OPEB	12/31/2022	1,577,083	-	21,015	1,556,068
263.57	lease	12/31/2022	5,040	-	1,560	3,480
263.84	Dept of Commerce DWSF loan	10/1/2022	12,750	-	12,750	-
263.86	Sno Co Public Works	12/31/2022	60,200	-	60,200	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,678,765	31,403	103,056	1,607,112
Total Liabilities:			1,678,765	31,403	103,056	1,607,112

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.56	QBSI Xerox copy machine	12/31/2021	6,600	-	1,560	5,040
Total General Obligation Debt/Liabilities:			6,600	-	1,560	5,040
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	employee compensated absences	12/31/2021	10,821	12,359	19,021	4,159
264.30	employee pension liability	12/31/2021	70,623	-	51,132	19,491
264.40	OPEB	12/31/2021	1,726,969	-	149,886	1,577,083
263.84	Dept of Commerce DWSRF loan	10/1/2022	25,500	-	12,750	12,750
263.86	Snohomish County Public Works	7/1/2029	60,200	-	-	60,200
263.86	Snohomish County Sheriff	12/31/2021	6,779	-	6,779	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			1,900,892	12,359	239,568	1,673,683
Total Liabilities:			1,907,492	12,359	241,128	1,678,723

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov