

Washington State Auditor's Office
Financial Statements Audit Report

Town of Yarrow Point
King County

Audit Period
January 1, 2010 through December 31, 2011

Report No. 1009372

Issue Date
March 25, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

March 25, 2013

Mayor and Town Council
Town of Yarrow Point
Bellevue, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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King County
January 1, 2010 through December 31, 2011**

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

Town of Yarrow Point
King County
January 1, 2010 through December 31, 2011

Mayor and Town Council
Town of Yarrow Point
Bellevue, Washington

We have audited the financial statements of the Town of Yarrow Point, King County, Washington, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated February 28, 2013.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

This report is intended for the information and use of management and the Mayor and Town Council. 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 "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

February 28, 2013

Independent Auditor's Report on Financial Statements

**Town of Yarrow Point
King County
January 1, 2010 through December 31, 2011**

Mayor and Town Council
Town of Yarrow Point
Bellevue, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Town of Yarrow Point, King County, Washington, for the years ended December 31, 2011 and 2010 as listed on page 6.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting that demonstrates compliance with 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 an opinion 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 opinion.

Opinion

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 Yarrow Point, for the years ended December 31, 2011 and 2010, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

Other Matters

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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.

Purpose of this Report

The report is intended for the information and use of the management and the Mayor and Council of the Town. 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR

February 28, 2013

Financial Section

**Town of Yarrow Point
King County
January 1, 2010 through December 31, 2011**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2011
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2011
Fund Resources and Uses Arising from Cash Transactions – 2010
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SUPPLEMENTARY INFORMATION

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Schedule of Liabilities – 2010

MCAG NO. 405
TOWN OF YARROW POINT
FUND RESOURCES AND USES
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

STATEMENT C-4

BARS CODE	Total for All Funds	Fund 001 General Expense	Fund #103 Contin- gency	Fund #211 Bond Redemption	Fund #301 Capital Improve- ment I	Fund #304 Capital Improve- ment IV	Fund #311 Construc- tion Projects
Beginning Cash and Investments							
308.10 Reserved	\$280,081	\$0	\$280,081				
308.80 Unreserved	\$903,862	\$614,943		\$3,326	\$80,400	\$80,400	\$124,793
Prior Period Adjustments (388.80 and 588.80)	\$0						
Revenues and Other Sources							
310 Taxes	\$923,089	\$814,812			\$54,139	\$54,139	
320 Licenses and Permits	\$211,506	\$211,506					
330 Intergovernmental	\$65,805	\$65,805					
340 Charges for Goods and Services	\$67	\$67					
350 Fines and Penalties	\$16,181	\$16,181					
360 Miscellaneous	\$53,546	\$53,017	\$515	\$14			
370 Capital Contributions	\$0	\$0					
390 Other Financing Sources	\$135,000	\$45,000		\$90,000			
Total Revenues and Other Financing Sources	\$1,405,195	\$1,206,388	\$515	\$90,014	\$54,139	\$54,139	\$0
Total Resources	\$2,589,139	\$1,821,332	\$280,597	\$93,340	\$134,539	\$134,539	\$124,793
Operating Expenditures:							
510 General Government	\$288,179	\$288,179					
520 Public Safety	\$625,412	\$625,412					
530 Physical Environment	\$1,967	\$1,967					
540 Transportation	\$89,013	\$89,013					
550 Economic Environment	\$236,333	\$236,333					
560 Mental and Physical Health	\$245	\$245					
570 Culture and Recreational	(\$7,800)	(\$7,800)					
Total Operating Expenditures	\$1,233,349	\$1,233,349	\$0	\$0	\$0	\$0	\$0
591-593 Debt Service	\$88,884	\$0		\$88,884			
594-595 Capital Expenditures	\$47,620	\$0					\$47,620
598 Other Expenditures	\$0	\$0					
Total Expenditures	\$1,369,852	\$1,233,349	\$0	\$88,884	\$0	\$0	\$47,620
596-599 Other Financing Uses	\$135,000	\$45,000			\$45,000	\$45,000	
Total Expenditures and Other Financing Uses	\$1,504,852	\$1,278,349	\$0	\$88,884	\$45,000	\$45,000	\$47,620
Excess (Deficit) of Resources Over Uses	\$1,084,286	\$542,983	\$280,597	\$4,456	\$89,539	\$89,539	\$77,173
380 Nonrevenues (Except 384)	\$0	\$0					
580 Nonexpenditures (Except 584)	\$0	\$0					
Ending Cash and Investments:							
508.10 Reserved	\$280,597	\$0	\$280,597				
508.80 Unreserved	\$803,690	\$542,983		\$4,456	\$89,539	\$89,539	\$77,173

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0450

TOWN OF YARROW POINT

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

STATEMENT C-5

STATEMENT C-5

	Total for All Fiduciary	Fund #601 WNP Endowment	Fund #622 #622 Street Perform-ance Bond Trust	Fund #623 #623 Wetherill Nature Preserve	Fund #631 Agency	Fund #650 Gifts and Bequests
Beginning Cash and Investments	127,526	55,902	52,774	18,330		520
Prior Period Adjustments	-					
Revenue and Other Financing Sources	51,964	7,526	11,250	19,132	11,354	2,702
Total Resources	179,491	63,429	64,024	37,462	11,354	3,222
Expenditures And Other Financing Uses	59,119	15,000	27,000	5,765	11,354	
Excess (Deficit) of Resources Over Uses	120,372	48,429	37,024	31,697	-	3,222
Nonrevenues (Except 384)	-					
Nonexpenditures (Except 584)	-					
Ending Cash and Investments	-	48,429	37,024	31,697	-	3,222

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0450
TOWN OF YARROW POINT
FUND RESOURCES AND USES
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2010

SC-4
Statement C-4

BARS CODE	Total for All Funds	Fund 001 General Expense	Fund #103 Contin- gency	Fund #211 Bond Redemption	Fund #301 Capital Improve- ment I	Fund #304 Capital Improve- ment IV	Fund #311 Construc- tion Projects
Beginning Cash and Investments							
308.10 Reserved	\$279,210	\$0	\$279,210				
308.80 Unreserved	\$1,237,039	\$768,099		\$2,068	\$134,591	\$134,591	\$197,690
Prior Period Adjustments (388.80 and 588.80)	\$0						
Revenues and Other Sources							
310 Taxes	\$996,412	\$832,794			\$81,809	\$81,809	
320 Licenses and Permits	\$117,689	\$117,689					
330 Intergovernmental	\$34,194	\$34,194					
340 Charges for Goods and Services	\$9,030	\$9,030					
350 Fines and Penalties	\$19,168	\$19,168					
360 Miscellaneous	\$49,300	\$40,844		\$141			\$8,315
370 Capital Contributions	\$0	\$0					
390 Other Financing Sources	\$332,871	\$60,000	\$871	\$90,000			\$182,000
Total Revenues and Other Financing Sources	\$1,558,665	\$1,113,720	\$871	\$90,141	\$81,809	\$81,809	\$190,315
Total Resources	\$3,074,914	\$1,881,818	\$280,081	\$92,209	\$216,400	\$216,400	\$388,005
Operating Expenditures:							
510 General Government	\$274,681	\$274,681					
520 Public Safety	\$647,043	\$647,043					
530 Physical Environment	\$11,938	\$1,938					
540 Transportation	\$60,947	\$60,947					
550 Economic Environment	\$209,734	\$209,734					
560 Mental and Physical Health	\$238	\$238					
570 Culture and Recreational	\$12,294	\$12,294					
Total Operating Expenditures	\$1,206,875	\$1,206,875	\$0	\$0	\$0	\$0	\$0
591-593 Debt Service	\$88,883	\$0		\$88,883			
594-595 Capital Expenditures	\$263,212	\$0					\$263,212
598 Other Expenditures	\$0	\$0					
Total Expenditures	\$1,558,970	\$1,206,875	\$0	\$88,883	\$0	\$0	\$263,212
596-599 Other Financing Uses	\$332,000	\$60,000			\$136,000	\$136,000	
Total Expenditures and Other Financing Uses	\$1,890,970	\$1,266,875	\$0	\$88,883	\$136,000	\$136,000	\$263,212
Excess (Deficit) of Resources Over Uses	\$1,183,944	\$614,944	\$280,081	\$3,326	\$80,400	\$80,400	\$124,793
380 Nonrevenues (Except 384)	\$0	\$0					
580 Nonexpenditures (Except 584)	\$0	\$0					
Ending Cash and Investments:							
508.10 Reserved	\$280,081	\$0	\$280,081				
508.80 Unreserved	\$903,863	\$614,944		\$3,326	\$80,400	\$80,400	\$124,793

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0450

TOWN OF YARROW POINT

FUND RESOURCES AND USES

ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2010

STATEMENT C-5

STATEMENT C-5

	Total for All Fiduciary	Fund #601 WNP Endowment	Fund #622 #622 Street Perform-ance Bond Trust	Fund #623 #623 Wetherill Nature Preserve	Fund #631 Agency	Fund #650 Gifts and Bequests
Beginning Cash and Investments	155,431	60,174	88,390	6,867		
Prior Period Adjustments	-					
Revenue and Other Financing Sources	70,762	10,728	22,584	19,819	17,110	520
Total Resources	226,193	70,902	110,974	26,686	17,110	520
Expenditures And Other Financing Uses	98,667	15,000	58,200	8,357	17,110	
Excess (Deficit) of Resources Over Uses	127,526	55,902	52,774	18,330	-	520
Nonrevenues (Except 384)	-					
Nonexpenditures (Except 584)	-					
Ending Cash and Investments	-	55,902	52,774	18,330	-	520

The Accompanying Notes Are An Integral Part Of This Statement.

NOTE 1 - SUMMARY OF ACCOUNTING POLICES

The Town of Yarrow Point reports financial activity using the revenue and expenditure classifications, 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) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Town of Yarrow Point was incorporated on June 30, 1959 and operates under the laws of the state of Washington applicable to a Municipality, Class 4. The Town is a general-purpose government and provides public safety, fire prevention, street improvements, parks and recreation, health and social services, and general administrative services. The Town uses single-entry, cash-basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a. Fund Accounting

The accounts of the Town of Yarrow Point 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 comprise 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 their intended purpose. The following are the fund types used by the Town.

GOVERNMENTAL FUND TYPES:

Current Expense Fund

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

Special Revenue Funds

These funds account for revenues that are legally restricted or designated to finance particular activities of the Town.

Debt Service Funds

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

Capital Projects Funds

These funds account for financial resources which are designated for the acquisition or construction of general government capital improvements.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

Expendable Trust Fund

These funds account for assets from which both the principal and interest may be spent.

Non-expendable Trust Fund

These funds account for assets from which the principal may not be spent.

Agency Fund

These funds are used to account for assets that the Town holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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's budget appropriations as required by state law.

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.

c. Budgets

Annual appropriated budgets are adopted for all funds. Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end. This is the level at which the budget was approved. For the purposes of the financial statements, these three funds are summarized under Fund 001, General Expense.

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
#001 Current Expenditures	959,279	955,590	3,689
#101 Street	93,794	89,013	4,781
#103 Contingency	0	\$	0
#104 Community Development	307,550	233,746	73,804
#211 Bond Redemption	88,883	88,883	0
#301 Capital Improvement I	45,000	45,000	0
#304 Capital Improvement IV	45,000	45,000	0
#311 Construction Projects	215,000	47,620	167,380
#601 WNP Endowment	52,119	15,000	37,119
#622 Street Performance Bond Trust	28,000	27,000	1,000
#623 Wetherill Nature Preserve	9,063	5,765	3,298
#650 Gifts and Bequests	0	0	0

The Town is authorized to transfer budgeted amounts between departments within a 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 Council.

d. Cash

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 these investments is prorated to the various funds.

e. Deposits

The Town's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission (PDPC).

f. Investments

See Note 3 - Investments.

g. Capital Assets

Fixed assets are long-lived assets of the Town and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may accumulate up to 500 hours. Upon normal service retirement employees receive payment for 12% of unused sick leave.

i. Long-Term Debt

See Note 5 – Long-Term Debt

j. Other Financing Sources Or Uses

The Town's "Other Financing Sources or Uses" consists of Operating Transfers-In and Operating Transfers-Out.

k. Risk Management

Beginning in 2004 the Town of Yarrow Point entered into an interlocal agreement with The Washington Cities Insurance Authority (WCIA) for the provision of insurance coverage. Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 118 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$12 million per occurrence in the re-insured excess layer with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$15 million per occurrence subject to

aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 - INVESTMENTS

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

Investments by type at December 31, 2011 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Investment in Local Government Investment Pool on 12/31/11	1,094,997.67

NOTE 4 - PROPERTY TAXES

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

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

The Town's regular levy for 2011 was 0.70659 per \$1,000 on assessed valuation of \$681,464,617 for a total regular levy of \$489,522.

NOTE 5 - INTERFUND LOANS AND ADVANCES

There were no interfund loans and advances in 2010.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the Town and summarizes the Town's debt transactions for 2004. On July 8, 2003, the Yarrow Point Town Council approved a \$750,000 Councilmanic bond to finance the 92nd Ave Improvements and Utility Undergrounding project. Remaining debt service requirements, including interest, are as follows:

General Obligation Bonds

2012	88,884
2013	44,383
Total	133,267

NOTE 7 - PENSION PLANS

All Town full-time and qualifying part-time employees participate in the Public Employees' Retirement System Plan 2 (PERS II) administered by the Department of Retirement Systems, under cost-sharing multiple-employee public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Town's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

NOTE 1 - SUMMARY OF ACCOUNTING POLICES

The Town of Yarrow Point uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System (BARS)* manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

The Town of Yarrow Point was incorporated on June 30, 1959 and operates under the laws of the state of Washington applicable to a Municipality, Class 4. The Town is a general-purpose government and provides public safety, fire prevention, street improvements, parks and recreation, health and social services, and general administrative services. The Town uses single-entry, cash-basis accounting, which is a departure from generally accepted accounting principles (GAAP).

a Fund Accounting

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Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

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These funds are used to account for assets that the Town holds for others in an agency capacity.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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's budget appropriations as required by state law.

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.

c. Budgets

Annual appropriated budgets are adopted for all funds. Annual appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end. In the following table Funds 001, 101, and 104 are shown separately. This is the level at which the budget was approved. For the purposes of the financial statements, these three funds are summarized under Fund 001, General Expense.

	Final Appropriated Amounts	Actual Expenditures	Variance
Fund/Department			
#001 Current Expenditures	1,090,938	1,015,784	75,154
#101 Street	89,790	60,947	28,843
#103 Contingency	0	0	
#104 Community Development	200,852	190,144	10,708
#211 Bond Redemption	88,884	88,883	0
#301 Capital Improvement I	136,000	136,000	0
#304 Capital Improvement IV	136,000	136,000	0
#311 Construction Projects	317,000	167,380	149,620
#601 WNP Endowment	15,000	15,000	0
#622 Street Performance Bond Trust	70,000	58,200	11,800
#623 Wetherill Nature Preserve	16,626	8,357	8,269
#650 Gifts and Bequests	0	0	0

The Town is authorized to transfer budgeted amounts between departments within a 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 Council.

d. Cash

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 these investments is prorated to the various funds.

e. Deposits

The Town's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission (PDPC).

f. Investments

See Note 3 - Investments.

g. Capital Assets

Fixed assets are long-lived assets of the Town and are recorded as expenditures when purchased.

h. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement.

Sick leave may accumulate up to 500 hours. Upon normal service retirement employees receive payment for 12% of unused sick leave.

i. Long-Term Debt

See Note 5 – Long-Term Debt

j. Other Financing Sources Or Uses

The Town's "Other Financing Sources or Uses" consists of Operating Transfers-In and Operating Transfers-Out.

k. Risk Management

Beginning in 2004 the Town of Yarrow Point entered into an interlocal agreement with The Washington Cities Insurance Authority (WCIA) for the provision of insurance coverage. Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 118 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$12 million per occurrence in the re-insured excess layer with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$15 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 - INVESTMENTS

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

Investments by type at December 31, 2010 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Investment in Local Government Investment Pool on 12/31/10	1,378,201.61

NOTE 4 - PROPERTY TAXES

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

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

The Town's regular levy for 2010 was 0.63933 per \$1,000 on assessed valuation of \$746,294,415 for a total regular levy of \$484,090 .

NOTE 5 - INTERFUND LOANS AND ADVANCES

There were no interfund loans and advances in 2010.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the Town and summarizes the Town's debt transactions for 2010. On July 8, 2003, the Yarrow Point Town Council approved a \$750,000 Councilmanic bond to finance the 92nd Ave Improvements and Utility Undergrounding project. Remaining debt service requirements, including interest, are as follows:

General Obligation Bonds

2011	88,884
2012	88,884
2013	44,383
Total	222,515

NOTE 7 - PENSION PLANS

All Town full-time and qualifying part-time employees participate in the Public Employees' Retirement System Plan 2 (PERS II) administered by the Department of Retirement Systems, under cost-sharing multiple-employee public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Town's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Town of Yarrow Point

Schedule of Liabilities

For the Fiscal Year ending Decemembr 31, 2011

Schedule 09

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MCAG No. 0450

	(1)	(2)	(3)	(4)
ID. No.	Beginning Balance 1/1/2010	Additions	Reductions	Ending Outstanding Debt 12/31/10 (1)+(2)-(3)
252.11	212,839.67	0.00	83,052.65	129,787.02
259.12	11,685.03	1,641.70		13326.73

The Accompanying Notes Are An Integral Part Of This Statement

Schedule 09
Page 1 of 1
MCAG No. 0450

The Accompanying Notes Are An Integral Part Of This Statement



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.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

State Auditor
Chief of Staff
Director of State and Local Audit
Director of Performance Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of State and Local Audit
Deputy Director of Quality Assurance
Local Government Liaison
Public Records Officer
Main number
Toll-free Citizen Hotline

Troy Kelley
Doug Cochran
Chuck Pfeil, CPA
Larisa Benson
Kelly Collins, CPA
Jan M. Jutte, CPA, CGFM
Sadie Armijo
Barb Hinton
Mike Murphy
Mary Leider
(360) 902-0370
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