

Washington State Auditor's Office
Financial Statements Audit Report

Town of Rosalia
Whitman County

Audit Period
January 1, 2004 through December 31, 2004

Report No. 68793

Issue Date
June 17, 2005



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

June 17, 2005

Council
Town of Rosalia
Rosalia, Washington

Report on Financial Statements

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

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

In addition to this work, we look at other areas of our audit clients' operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Whitman County
January 1, 2004 through December 31, 2004**

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

**Town of Rosalia
Whitman County
January 1, 2004 through December 31, 2004**

Council
Town of Rosalia
Rosalia, Washington

We have audited the financial statements of the Town of Rosalia, Whitman County, Washington, as of and for the year ended December 31, 2004, and have issued our report thereon dated April 1, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 1, 2005

Independent Auditor's Report on Financial Statements

**Town of Rosalia
Whitman County
January 1, 2004 through December 31, 2004**

Council
Town of Rosalia
Rosalia, Washington

We have audited the accompanying financial statements of the Town of Rosalia, Whitman County, Washington, for the year ended December 31, 2004. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Town prepares its financial statements on 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 comprehensive basis of accounting other than generally accepted accounting principles.

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 Rosalia, for the year ended December 31, 2004, on the basis of accounting described in Note 1.

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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the

financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

April 1, 2005

Financial Section

**Town of Rosalia
Whitman County
January 1, 2004 through December 31, 2004**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2004
Notes to Financial Statements – 2004

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Schedules of Long-Term Debt – 2004

Town Of Rosalia

MCAG #: 0823

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDING: DECEMBER 31, 2004

001 Current Expense Fund	Budget	Actual
-----	-----	-----
Beginning Net Cash and Investments	33,460.74	719.35
Revenues and Other Sources		
310 Taxes	76,300.00	76,755.88
320 Licenses & Permits	2,375.00	2,645.75
330 Intergovernmental Revenues	114,550.00	138,949.74
340 Charges For Good And Services	87.00	98.75
350 Fines & Forfeits	0.00	0.00
360 Miscellaneous Revenues	17,434.00	14,778.39
390 Other Financing Sources	0.00	6,110.00
	-----	-----
Total Revenues and Other Sources	210,746.00	239,338.51
Total Resources	244,206.74	240,057.86
Operating Expenditures		
508 Ending Net Cash & Investments	0.00	0.00
510 General Government Services	53,081.24	48,304.05
520 Security Of Persons & Property	106,155.50	117,018.81
530 Utilities & Environment	1,470.00	3,603.82
540 Transportation	0.00	0.00
550 Economic Environment	0.00	0.00
560 Mental & Physical Health	120.00	138.99
570 Culture And Recreation	71,150.00	63,595.55
	-----	-----
Total Operating Expenditures	231,976.74	232,661.22
591 Debt Service	0.00	240.00
594 Other Expenditures	500.00	650.19
	-----	-----
Total Expenditures	232,476.74	233,551.41
597 Other Financing Uses	11,730.00	1,000.00
	-----	-----
Total Expenditures and Other Uses	244,206.74	234,551.41
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	5,506.45
380 Non Revenues	180.00	18.00
580 Non Expenditures	180.00	5,499.00
	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	25.45

Town Of Rosalia

MCAG #: 0823

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDING: DECEMBER 31, 2004

101 City Street Fund	Budget	Actual
-----	-----	-----
Beginning Net Cash and Investments	62,802.05	32,078.04
Revenues and Other Sources		
310 Taxes	42,500.00	41,451.15
320 Licenses & Permits	0.00	0.00
330 Intergovernmental Revenues	23,226.14	29,761.66
340 Charges For Good And Services	1,000.00	788.50
350 Fines & Forfeits	0.00	0.00
360 Miscellaneous Revenues	5,180.00	5,063.23
390 Other Financing Sources	0.00	14,800.00
	-----	-----
Total Revenues and Other Sources	71,906.14	91,864.54
Total Resources	134,708.19	123,942.58
Operating Expenditures		
508 Ending Net Cash & Investments	0.00	0.00
510 General Government Services	14,361.50	14,146.05
520 Security Of Persons & Property	870.00	842.50
530 Utilities & Environment	0.00	0.00
540 Transportation	107,776.69	94,167.02
550 Economic Environment	0.00	0.00
560 Mental & Physical Health	0.00	0.00
570 Culture And Recreation	3,000.00	1,808.52
	-----	-----
Total Operating Expenditures	126,008.19	110,964.09
591 Debt Service	700.00	110.50
594 Other Expenditures	0.00	11,393.54
	-----	-----
Total Expenditures	126,708.19	122,468.13
597 Other Financing Uses	0.00	0.00
	-----	-----
Total Expenditures and Other Uses	126,708.19	122,468.13
-----	-----	-----
EXCESS (DEFICIT) OF REVENUES OVER USES	8,000.00	1,474.45
380 Non Revenues	0.00	5,400.00
580 Non Expenditures	8,000.00	6,850.26
	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	24.19

Town Of Rosalia

MCAG #: 0823

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDING: DECEMBER 31, 2004

105 Ambulance Fund	Budget	Actual

Beginning Net Cash and Investments	164,282.05	173,212.19
Revenues and Other Sources		
310 Taxes	0.00	0.00
320 Licenses & Permits	0.00	0.00
330 Intergovernmental Revenues	0.00	0.00
340 Charges For Good And Services	25,000.00	79,179.55
350 Fines & Forfeits	0.00	0.00
360 Miscellaneous Revenues	1,550.00	7,397.14
390 Other Financing Sources	0.00	0.00
	-----	-----
Total Revenues and Other Sources	26,550.00	86,576.69
Total Resources	190,832.05	259,788.88
Operating Expenditures		
508 Ending Net Cash & Investments	0.00	0.00
510 General Government Services	0.00	340.66
520 Security Of Persons & Property	37,345.00	44,912.37
530 Utilities & Environment	0.00	0.00
540 Transportation	0.00	0.00
550 Economic Environment	0.00	0.00
560 Mental & Physical Health	0.00	0.00
570 Culture And Recreation	0.00	0.00
	-----	-----
Total Operating Expenditures	37,345.00	45,253.03
591 Debt Service	0.00	0.00
594 Other Expenditures	153,487.05	121,235.40
	-----	-----
Total Expenditures	190,832.05	166,488.43
597 Other Financing Uses	0.00	0.00
	-----	-----
Total Expenditures and Other Uses	190,832.05	166,488.43
	-----	-----
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	93,300.45
380 Non Revenues	0.00	0.00
580 Non Expenditures	0.00	0.00
	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	93,300.45

Town Of Rosalia

MCAG #: 0823

STATEMENT C-4

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDING: DECEMBER 31, 2004

110 Community Center Fund	Budget	Actual
-----	-----	-----
Beginning Net Cash and Investments	2,500.00	4,912.15
Revenues and Other Sources		
310 Taxes	0.00	0.00
320 Licenses & Permits	0.00	0.00
330 Intergovernmental Revenues	0.00	0.00
340 Charges For Good And Services	0.00	0.00
350 Fines & Forfeits	0.00	0.00
360 Miscellaneous Revenues	4,000.00	4,378.33
390 Other Financing Sources	0.00	0.00
	-----	-----
Total Revenues and Other Sources	4,000.00	4,378.33
Total Resources	6,500.00	9,290.48
Operating Expenditures		
508 Ending Net Cash & Investments	0.00	0.00
510 General Government Services	0.00	340.66
520 Security Of Persons & Property	0.00	0.00
530 Utilities & Environment	0.00	0.00
540 Transportation	0.00	0.00
550 Economic Environment	0.00	0.00
560 Mental & Physical Health	0.00	0.00
570 Culture And Recreation	6,500.00	2,673.18
	-----	-----
Total Operating Expenditures	6,500.00	3,013.84
591 Debt Service	0.00	0.00
594 Other Expenditures	0.00	0.00
	-----	-----
Total Expenditures	6,500.00	3,013.84
597 Other Financing Uses	0.00	0.00
	-----	-----
Total Expenditures and Other Uses	6,500.00	3,013.84
	-----	-----
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	6,276.64
380 Non Revenues	0.00	0.00
580 Non Expenditures	0.00	0.00
	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	6,276.64

Town Of Rosalia

MCAG #: 0823

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDING: DECEMBER 31, 2004

115 Util.Tax - Police Reserve Fund	Budget	Actual
-----	-----	-----
Beginning Net Cash and Investments	12,000.00	7,778.80
Revenues and Other Sources	14,075.00	15,383.87
-----	-----	-----
Total Resources	26,075.00	23,162.67
-----	-----	-----
Expenditures and Other Financing Uses	26,075.00	23,562.54
-----	-----	-----
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	-399.87
Non Revenues	0.00	405.66
Non Expenditures	0.00	0.00
-----	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	5.79

300 Capital Improvement Fund	Budget	Actual
-----	-----	-----
Beginning Net Cash and Investments	11,000.00	11,770.79
Revenues and Other Sources	2,095.00	4,195.20
-----	-----	-----
Total Resources	13,095.00	15,965.99
-----	-----	-----
Expenditures and Other Financing Uses	13,095.00	10,910.00
-----	-----	-----
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	5,055.99
Non Revenues	0.00	0.00
Non Expenditures	0.00	0.00
-----	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	5,055.99

301 Park (Mini) Improvement Fund	Budget	Actual
-----	-----	-----
Beginning Net Cash and Investments	5,100.00	6,152.03
Revenues and Other Sources	11,002.00	9,435.18
-----	-----	-----
Total Resources	16,102.00	15,587.21
-----	-----	-----
Expenditures and Other Financing Uses	16,102.00	9,559.20
-----	-----	-----
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	6,028.01
Non Revenues	0.00	0.00
Non Expenditures	0.00	6.08
-----	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	6,021.93

Town Of Rosalia

MCAG #: 0823

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDING: DECEMBER 31, 2004

302 Airport Project Fund	Budget	Actual
Beginning Net Cash and Investments	500.00	0.00
Revenues and Other Sources	92,100.00	7,334.74
Total Resources	92,600.00	7,334.74
Expenditures and Other Financing Uses	92,600.00	6,790.68
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	544.06
Non Revenues	0.00	0.00
Non Expenditures	0.00	0.00
ENDING NET CASH & INVESTMENTS	0.00	544.06

303 Util Tax-Equip. Replace Fund	Budget	Actual
Beginning Net Cash and Investments	7,000.00	6,931.25
Revenues and Other Sources	7,000.00	7,214.15
Total Resources	14,000.00	14,145.40
Expenditures and Other Financing Uses	14,000.00	842.50
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	13,302.90
Non Revenues	0.00	0.00
Non Expenditures	0.00	0.00
ENDING NET CASH & INVESTMENTS	0.00	13,302.90

401 Water Fund	Budget	Actual
Beginning Net Cash and Investments	55,000.00	55,945.99
Revenues and Other Sources	97,500.00	98,230.65
Total Resources	152,500.00	154,176.64
Expenditures and Other Financing Uses	160,000.00	154,869.50
EXCESS (DEFICIT) OF REVENUES OVER USES	-7,500.00	-692.86
Non Revenues	7,500.00	6,133.84
Non Expenditures	0.00	0.00
ENDING NET CASH & INVESTMENTS	0.00	5,440.98

Town Of Rosalia

MCAG #: 0823

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDING: DECEMBER 31, 2004

402 Water Capital Improvement Fund	Budget	Actual
Beginning Net Cash and Investments	25,300.00	371.41
Revenues and Other Sources	4,750.00	9,055.10
Total Resources	30,050.00	9,426.51
Expenditures and Other Financing Uses	30,050.00	1,406.73
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	8,019.78
Non Revenues	0.00	0.00
Non Expenditures	0.00	0.00
ENDING NET CASH & INVESTMENTS	0.00	8,019.78

403 Sewer Fund	Budget	Actual
Beginning Net Cash and Investments	1,000.00	906.87
Revenues and Other Sources	74,000.00	69,712.35
Total Resources	75,000.00	70,619.22
Expenditures and Other Financing Uses	71,200.00	67,093.44
EXCESS (DEFICIT) OF REVENUES OVER USES	3,800.00	3,525.78
Non Revenues	0.00	0.00
Non Expenditures	3,800.00	3,166.67
ENDING NET CASH & INVESTMENTS	0.00	359.11

404 Sewer Capital Improvement Fund	Budget	Actual
Beginning Net Cash and Investments	48,700.00	35,323.74
Revenues and Other Sources	757,700.00	5,996.69
Total Resources	806,400.00	41,320.43
Expenditures and Other Financing Uses	806,400.00	40,039.34
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	1,281.09
Non Revenues	0.00	0.00
Non Expenditures	0.00	0.00
ENDING NET CASH & INVESTMENTS	0.00	1,281.09

Town Of Rosalia

MCAG #: 0823

STATEMENT C-5

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDING: DECEMBER 31, 2004

405 Waste Water Facility Fund	Budget	Actual
-----	-----	-----
Beginning Net Cash and Investments	18,500.00	19,055.65
Revenues and Other Sources	26,610.00	22,142.94
-----	-----	-----
Total Resources	45,110.00	41,198.59
-----	-----	-----
Expenditures and Other Financing Uses	49,788.71	0.00
-----	-----	-----
EXCESS (DEFICIT) OF REVENUES OVER USES	-4,678.71	41,198.59
Non Revenues	4,678.71	3,683.59
Non Expenditures	0.00	0.00
-----	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	44,882.18

630 Water Deposit Reserve Fund	Budget	Actual
-----	-----	-----
Beginning Net Cash and Investments	8,000.00	7,942.26
Revenues and Other Sources	0.00	0.00
-----	-----	-----
Total Resources	8,000.00	7,942.26
-----	-----	-----
Expenditures and Other Financing Uses	8,000.00	0.00
-----	-----	-----
EXCESS (DEFICIT) OF REVENUES OVER USES	0.00	7,942.26
Non Revenues	500.00	340.00
Non Expenditures	500.00	527.00
-----	-----	-----
ENDING NET CASH & INVESTMENTS	0.00	7,755.26

TOWN OF ROSALIA
NOTES TO FINANCIAL STATEMENTS
January 1, 2004 through December 31, 2004

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The Town of Rosalia 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 Rosalia was incorporated on March 23, 1894 and operates under the laws of the State of Washington applicable to a town. The Town of Rosalia is a general purpose government and provides Public Safety, Fire Control and Prevention Services, Street Improvements, Park and Recreation Facilities, Library, General Administration, and Water and Sewer Services. The Town of Rosalia 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 Rosalia are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate.

The town'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 of Rosalia:

GOVERNMENTAL FUND TYPES:

Current Expense Fund (Fund number 001)

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

Special Revenue Funds (Funds in the 100 series)

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

101	Street Fund
105	Ambulance Fund
110	Community Center Fund
115	Utility Tax-Police Fund

Debt Service Funds(Funds in the 200 series)

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

Capital Project Funds (Funds in the 300 series)

These funds account for financial resources, which are designated for acquisition or construction of general government capital projects. They include:

300	Capital Improvement Fund
301	Park Improvement Fund
302	Airport Project Fund
303	Utility Tax-Equipment Replacement Fund

PROPRIETARY FUND TYPES:

Enterprise Funds

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

401	Water Fund
402	Water Capital Improvement Fund
403	Sewer Fund
404	Sewer Capital Improvement Fund
405	Waste Water Facility Plan Fund

FIDUCIARY FUND TYPES:

Expendable Trust Funds (Funds in the 600 series)

These funds account for assets where both principal and interest may be spent. They include:

630	Water Deposit Reserve Fund
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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 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. The financial statements include budgetary comparisons for those 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.

The town is authorized to transfer budgeted amounts between departments within any fund or object classes within departments; however, any revisions that alter the total expenditure of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the town's legislative body.

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

f. Investments

See Note. #3

g. Capital Assets

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

h. Compensated Absences

Vacation leave may be accumulated up to 260 hours and is payable upon separation or retirement.

However, the town encourages its employees to use their vacation days each year to give them a rest from their duties.

Sick leave may be accumulated up to 200 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

i. Long Term Debt

See Note #6

j. Other Financing Sources or Uses

The town of Rosalia's "Other Financing Sources or Uses" consist primarily of Interfund transactions.

k. Risk Management

The Town of Rosalia is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The pool was formed on September 1, 1988 when 34 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, CIAW has 117 member cities and 162 associate members.

The CIAW allows members to jointly purchase insurance coverage and provide related services, such as administration, risk management, claims administration, etc. Coverage for Public Officials Liability is on a "claim made basis". All other coverage's are on an "occurrence basis". The pool provides the following forms of group purchased insurance coverage for its members: Property, liability, vehicle liability, other mobile equipment, boiler and machinery, bonds of various types, excess liability and public official's liability.

The pool acquires liability insurance from unrelated underwriters that are subject to a per-occurrence deductible of \$100,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$99,000. Insurance carries cover insured losses over \$100,000 to the limits of each policy. Since the pool is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$99,000 portion of the deductible. The pool, however, purchases a Stop Loss Policy in the amount of \$2,653,767.00 to eliminate any risk to members and, in addition, fully funds the Stop Loss in the budget. Property insurance is subject to a per-occurrence deductible of \$10,000. Members are responsible for the first \$1,000 of the deductible amount of each claim, while the pool is responsible for the remaining \$9,000. Boiler and machinery insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim.

Each new member now pays the pool an admittance fee. This amount covers the member's share of unrestricted reserves. Members contract to remain in the pool for a minimum of one year, and must give notice before August 31st before termination participation the following September 1st. The Interlocal Governmental Agreement is renewed automatically each year. Even after termination, a member is still responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Governmental Agreement.

The pool is fully funded by its member participants. Claims filed by members with Canfield & Associates, Inc., which has been contracted to perform pool administration, claims adjustment and administration and loss prevention for the pool. Fees paid to the third party administrator under this agreement for the year ended August 31, 2003 were \$764,879.00. The 2003/2004 administrative fee was \$951,388.00.

A governing board is selected by the membership and is responsible for conducting the business affairs of the pool. The Board of Directors has contracted with Canfield & Associates, Inc. to perform day-to-day administration of the pool. This pool has no employees. Copies of the pool's annual report may be obtained by writing to 451 Diamond Drive, Ephrata, WA 98823.

NOTE 2 COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.
There have been no expenditures exceeding legal appropriations in any of the funds of the town.

NOTE 3 INVESTMENTS

The Town's investments are deposited in an Interest Earning Savings account held with the Bank of Fairfield. The Town was given a \$20.09 reimbursement on administrative costs with the Local Government Investment Pool and it is left in this account and is accruing interest. The investment funds are either insured, registered, or held by the Town or its agent in the Town's name at both institutions.

Investments by type as of December 31, 2004 are as follows:

Bank of Fairfield Savings Account	\$198,938.41
Local Government Investment Pool	\$ 20.48

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 each month.

Property tax revenue is recognized when cash is received by the town. Delinquent taxes are considered fully collectable because a lien affixes to the property when taxes are levied.

The town's property taxes are \$3.32 per \$1,000 of assessed value. The amount of taxes collected totaled \$54,680.85.

NOTE 5 INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2004:

Borrowing Fund	Lending Fund	Balance 1/1/2004	New Loans	Repayments	Balance 12/31/2004
101	405	\$12,321.29	\$ 0.00	\$ 3,683.59	\$ 8,637.70
101/403	401	\$ 9,854.75	\$ 0.00	\$ 6,133.84	\$ 3,720.91
001	101	\$16,000.00	\$ 0.00	\$ 5,400.00	\$10,600.00
301	115	\$ 405.66	\$ 0.00	\$ 405.66	\$ 0.00
101	405	\$ 0.00	\$10,000.00	\$ 0.00	\$10,000.00
001	300	\$ 0.00	\$ 6,110.00	\$ 0.00	\$ 6,110.00
101	300	\$ 0.00	\$ 4,800.00	\$ 0.00	\$ 4,800.00
TOTAL		\$38,581.70	\$20,910.00	\$15,623.09	\$43,868.61

NOTE 6 LONG-TERM DEBTS

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. The debt service requirements, including interest, are as follows:

	General Obligation Debt	Revenue Debt	Other Debt	Total Debt
2004	\$1,423.44	\$32,659.15	\$0.0	\$34,082.59
2005	\$1,423.44	\$37,770.78	\$0.0	\$39,194.22
2006	\$1,423.44	\$36,894.54	\$0.0	\$38,317.98
2007	\$1,423.44	\$36,018.31	\$0.0	\$37,441.75
2008	\$ 355.86	\$35,142.08	\$0.0	\$35,497.94
2009-2013	\$ 0.00	\$168,608.88	\$0.0	\$168,608.88
2014-2018	\$ 0.00	\$42,150.59	\$0.0	\$42,150.59
2019-2022	\$ 0.00	\$9,330.11	\$0.0	\$9,330.11
TOTALS:	\$6,049.62	\$377,039.37	\$0.0	\$383,088.99

NOTE 7 PENSION PLANS

Substantially all the town's three full-time employees and one part-time employee that participate in the PERS Plan 2 and one full-time law enforcement employee participates in the LEOFF Plan 2 administered by the Department of Retirement Systems, under cost-sharing multiple-employer 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. In 2004 there were five employees participating in the PERS 2 and LEOFF 2 plans.

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems 2004 Annual Financial Report. A copy of this report may be obtained at:

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

NOTE 8 OTHER DISCLOSURES

The beginning fund balance of funds 404 and 405 were changed due to errors in fund balance from the previous year.

