

Washington State Auditor's Office
Financial Statements Audit Report

Town of Yacolt
Clark County

Audit Period
January 1, 2003 through December 31, 2004

Report No. 69596

Issue Date
October 21, 2005



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

October 21, 2005

Mayor and Town Council
Town of Yacolt
Yacolt, Washington

Report on Financial Statements

Please find attached our report on the Town of Yacolt'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 client's 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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**Town of Yacolt
Clark County
January 1, 2003 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 Yacolt
Clark County
January 1, 2003 through December 31, 2004**

Mayor and Town Council
Town of Yacolt
Yacolt, Washington

We have audited the financial statements of the Town of Yacolt, Clark County, Washington, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 22, 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 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, appearing to read "Brian Sonntag", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 22, 2005

Independent Auditor's Report on Financial Statements

Town of Yacolt Clark County January 1, 2003 through December 31, 2004

Mayor and Town Council
Town of Yacolt
Yacolt, Washington

We have audited the accompanying financial statements of the Town of Yacolt, Clark County, Washington, for the years ended December 31, 2004 and 2003. 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 Yacolt, for the years ended December 31, 2004 and 2003, 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.

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

July 22, 2005

Financial Section

**Town of Yacolt
Clark County
January 1, 2003 through December 31, 2004**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2004
Fund Resources and Uses Arising from Cash Transactions – 2003
Notes to Financial Statements – 2004 and 2003

MCAG NO. 0254		TOWN OF YACOLT		STATEMENT C-4	
Page 1 of 2					
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS					
For The Year Ended December 31, 2004					
		Fund Number And Name		Fund Number And Name	
BARS		001 & 002 Current Expense		101 & 107 City Street	
CODE		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$ 580,000.00	\$ 556,038.43	\$ 237,000.00	\$ 227,468.27
Revenues and Other Sources					
310	Taxes	\$ 203,642.00	\$ 207,142.87	\$ 66,105.00	\$ 68,202.91
320	Licenses and Permits	\$ 4,600.00	\$ 12,918.39	\$ -	\$ -
330	Intergovernmental	\$ 32,970.00	\$ 13,316.92	\$ 334,277.00	\$ 219,002.17
340	Charges for Goods and Services	\$ -	\$ -	\$ -	\$ -
350	Fines and Forfeits	\$ 50.00	\$ 103.69	\$ -	\$ -
360	Miscellaneous	\$ 10,400.00	\$ 7,738.04	\$ 735.00	\$ 699.12
390	Other Financing Sources	\$ -	\$ -	\$ -	\$ -
Total Revenues and Other Sources		\$ 251,662.00	\$ 241,219.91	\$ 401,117.00	\$ 287,904.20
Total Resources		\$ 831,662.00	\$ 797,258.34	\$ 638,117.00	\$ 515,372.47
Operating Expenditures:					
510	General Government	\$ 146,886.00	\$ 127,317.57	\$ -	\$ -
520	Security of Persons and Property	\$ 75,851.00	\$ 74,200.39	\$ -	\$ -
530	Physical Environment	\$ -	\$ -	\$ -	\$ -
540	Transportation	\$ -	\$ -	\$ 96,620.00	\$ 85,280.32
550	Economic Environment	\$ 1,000.00	\$ 750.00	\$ -	\$ -
560	Mental and Physical Health	\$ 300.00	\$ 241.12	\$ -	\$ -
570	Culture and Recreational	\$ 4,650.00	\$ 3,625.77	\$ -	\$ -
Total Operating Expenditures		\$ 228,687.00	\$ 206,134.85	\$ 96,620.00	\$ 85,280.32
591-93	Debt Service	\$ 7,500.00	\$ 7,500.00	\$ -	\$ -
594-96	Capital Outlay	\$ 595,475.00	\$ -	\$ 541,497.00	\$ 230,266.17
Total Expenditures		\$ 831,662.00	\$ 213,634.85	\$ 638,117.00	\$ 315,546.49
597-599	Other Financing Uses	\$ -	\$ -	\$ -	\$ -
Total Expenditures and Other Uses		\$ 831,662.00	\$ 213,634.85	\$ 638,117.00	\$ 315,546.49
Excess (Deficit) of Resources Over Uses		\$ -	\$ 583,623.49	\$ -	\$ 199,825.98
380	Nonrevenues (Except 384)	\$ -	\$ -	\$ -	\$ -
580	Nonexpenditures (Except 584)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments		\$ -	\$ 583,623.49	\$ -	\$ 199,825.98
The Accompanying Notes Are An Integral Part Of This Statement.					

MCAG NO. 0254		TOWN OF YACOLT		STATEMENT C-4	
Page 2 of 2					
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS					
For The Year Ended December 31, 2004					
		Fund Number And Name		Fund Number And Name	
BARS		401 & 404 Water			
CODE		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$ 262,000.00	\$ 262,250.73	\$ -	\$ -
Revenues and Other Sources					
310	Taxes	\$ -	\$ -	\$ -	\$ -
320	Licenses and Permits	\$ -	\$ -	\$ -	\$ -
330	Intergovernmental	\$ -	\$ -	\$ -	\$ -
340	Charges for Goods and Services	\$ -	\$ -	\$ -	\$ -
350	Fines and Forfeits	\$ -	\$ -	\$ -	\$ -
360	Miscellaneous	\$ 1,725.00	\$ 1,550.60	\$ -	\$ -
390	Other Financing Sources	\$ -	\$ -	\$ -	\$ -
Total Revenues and Other Sources		\$ 1,725.00	\$ 1,550.60	\$ -	\$ -
Total Resources		\$ 263,725.00	\$ 263,801.33	\$ -	\$ -
Operating Expenditures:					
510	General Government	\$ -	\$ -	\$ -	\$ -
520	Security of Persons and Property	\$ -	\$ -	\$ -	\$ -
530	Physical Environment	\$ -	\$ -	\$ -	\$ -
540	Transportation	\$ -	\$ -	\$ -	\$ -
550	Economic Environment	\$ -	\$ -	\$ -	\$ -
560	Mental and Physical Health	\$ -	\$ -	\$ -	\$ -
570	Culture and Recreational	\$ -	\$ -	\$ -	\$ -
Total Operating Expenditures		\$ -	\$ -	\$ -	\$ -
591-93	Debt Service	\$ -	\$ -	\$ -	\$ -
594-96	Capital Outlay	\$ 263,725.00	\$ -	\$ -	\$ -
Total Expenditures		\$ 263,725.00	\$ -	\$ -	\$ -
597-599	Other Financing Uses			\$ -	\$ -
Total Expenditures and Other Uses		\$ 263,725.00	\$ -	\$ -	\$ -
Excess (Deficit) of Resources Over Uses		\$ -	\$ 263,801.33	\$ -	\$ -
380	Nonrevenues (Except 384)	\$ -	\$ -	\$ -	\$ -
580	Nonexpenditures (Except 584)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments		\$ -	\$ 263,801.33	\$ -	\$ -
The Accompanying Notes Are An Integral Part Of This Statement.					

MCAG NO. 0254		TOWN OF YACOLT		STATEMENT C-5	
Page 1 of 1					
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS					
For The Year Ended December 31, 2004					
	Fund Number And Name		Fund Number And Name		
Fund Type:	103 Cemetery		108 Fire		
	Budget	Actual	Budget	Actual	
Beginning Net Cash and Investments	\$ 12,000.00	\$ 12,972.86	\$ 480.00	\$ 482.26	
Revenues and Other Financing Sources	\$ 5,000.00	\$ 4,679.27	\$ 5.00	\$ 1.45	
Total Resources	\$ 17,000.00	\$ 17,652.13	\$ 485.00	\$ 483.71	
Expenditures And Other Financing Uses	\$ 17,000.00	\$ 4,831.76	\$ 485.00	\$ -	
Excess (Deficit) of Resources Over Uses	\$ -	\$ 12,820.37	\$ -	\$ 483.71	
Nonrevenues (Except 384)	\$ -	\$ -	\$ -	\$ -	
Nonexpenditures (Except 584)	\$ -	\$ -	\$ -	\$ -	
Ending Net Cash and Investments	\$ -	\$ 12,820.37	\$ -	\$ 483.71	
	Fund Number And Name		Fund Number And Name		
Fund Type:	402 Consumer Deposits		403 & 405 Stormwater		
	Budget	Actual	Budget	Actual	
Beginning Net Cash and Investments	\$ 2,800.00	\$ 2,848.95	\$ 16,000.00	\$ 17,793.20	
Revenues and Other Financing Sources	\$ -	\$ -	\$ 12,750.00	\$ 12,767.51	
Total Resources	\$ 2,800.00	\$ 2,848.95	\$ 28,750.00	\$ 30,560.71	
Expenditures And Other Financing Uses	\$ -	\$ -	\$ 28,750.00	\$ 12,706.65	
Excess (Deficit) of Resources Over Uses	\$ 2,800.00	\$ 2,848.95	\$ -	\$ 17,854.06	
Nonrevenues (Except 384)	\$ -	\$ -	\$ -	\$ -	
Nonexpenditures (Except 584)	\$ 2,800.00	\$ 75.00	\$ -	\$ -	
Ending Net Cash and Investments	\$ -	\$ 2,773.95	\$ -	\$ 17,854.06	
	Fund Number And Name		Fund Number And Name		
Fund Type:					
	Budget	Actual	Budget	Actual	
Beginning Net Cash and Investments					
Revenues and Other Financing Sources					
Total Resources					
Expenditures And Other Financing Uses					
Excess (Deficit) of Resources Over Uses					
Nonrevenues (Except 384)					
Nonexpenditures (Except 584)					
Ending Net Cash and Investments					
The Accompanying Notes Are An Integral Part Of This Statement.					

MCAG NO. 0254		TOWN OF YACOLT		STATEMENT C-4	
Page 1 of 2					
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS					
For The Year Ended December 31, 2003					
		Fund Number And Name		Fund Number And Name	
BARS		001 & 002 Current Expense		101 & 107 City Street	
CODE		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$ 605,000.00	\$ 564,493.19	\$ 228,000.00	\$ 205,461.77
Revenues and Other Sources					
310	Taxes	\$ 252,065.00	\$ 249,371.48	\$ 66,772.00	\$ 66,509.80
320	Licenses and Permits	\$ 4,950.00	\$ 4,567.85	\$ -	\$ -
330	Intergovernmental	\$ 30,545.00	\$ 25,647.67	\$ 260,825.00	\$ 273,059.93
340	Charges for Goods and Services	\$ -	\$ -	\$ -	\$ -
350	Fines and Forfeits	\$ 60.00	\$ 111.73	\$ -	\$ -
360	Miscellaneous	\$ 29,600.00	\$ 26,932.00	\$ 935.00	\$ 759.63
390	Other Financing Sources	\$ -	\$ -	\$ -	\$ -
Total Revenues and Other Sources		\$ 317,220.00	\$ 306,630.73	\$ 328,532.00	\$ 340,329.36
Total Resources		\$ 922,220.00	\$ 871,123.92	\$ 556,532.00	\$ 545,791.13
Operating Expenditures:					
510	General Government	\$ 227,003.00	\$ 223,816.88	\$ -	\$ -
520	Security of Persons and Property	\$ 76,690.00	\$ 75,257.35	\$ -	\$ -
530	Physical Environment	\$ -	\$ 121.45	\$ -	\$ -
540	Transportation	\$ -	\$ -	\$ 82,522.00	\$ 76,623.12
550	Economic Environment	\$ 1,000.00	\$ 1,000.00	\$ -	\$ -
560	Mental and Physical Health	\$ 300.00	\$ 209.89	\$ -	\$ -
570	Culture and Recreational	\$ 3,727.00	\$ 6,531.60	\$ -	\$ -
Total Operating Expenditures		\$ 308,720.00	\$ 306,937.17	\$ 82,522.00	\$ 76,623.12
591-93	Debt Service	\$ 7,500.00	\$ 7,500.00	\$ -	\$ -
594-96	Capital Outlay	\$ 606,000.00	\$ 648.32	\$ 474,010.00	\$ 241,699.74
Total Expenditures		\$ 922,220.00	\$ 315,085.49	\$ 556,532.00	\$ 318,322.86
597-599	Other Financing Uses	\$ -	\$ -	\$ -	\$ -
Total Expenditures and Other Uses		\$ 922,220.00	\$ 315,085.49	\$ 556,532.00	\$ 318,322.86
Excess (Deficit) of Resources Over Uses		\$ -	\$ 556,038.43	\$ -	\$ 227,468.27
380	Nonrevenues (Except 384)	\$ -	\$ -	\$ -	\$ -
580	Nonexpenditures (Except 584)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments		\$ -	\$ 556,038.43	\$ -	\$ 227,468.27
The Accompanying Notes Are An Integral Part Of This Statement.					

MCAG NO. 0254		TOWN OF YACOLT		STATEMENT C-4	
Page 2 of 2					
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS					
For The Year Ended December 31, 2003					
		Fund Number And Name		Fund Number And Name	
BARS		401 & 404 Water			
CODE		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		\$ 260,000.00	\$ 260,198.39	\$ -	\$ -
Revenues and Other Sources					
310	Taxes	\$ -	\$ -	\$ -	\$ -
320	Licenses and Permits	\$ -	\$ -	\$ -	\$ -
330	Intergovernmental	\$ -	\$ -	\$ -	\$ -
340	Charges for Goods and Services	\$ -	\$ -	\$ -	\$ -
350	Fines and Forfeits	\$ -	\$ -	\$ -	\$ -
360	Miscellaneous	\$ 1,475.00	\$ 2,052.34	\$ -	\$ -
390	Other Financing Sources	\$ -	\$ -	\$ -	\$ -
Total Revenues and Other Sources		\$ 1,475.00	\$ 2,052.34	\$ -	\$ -
Total Resources		\$ 261,475.00	\$ 262,250.73	\$ -	\$ -
Operating Expenditures:					
510	General Government	\$ -	\$ -	\$ -	\$ -
520	Security of Persons and Property	\$ -	\$ -	\$ -	\$ -
530	Physical Environment	\$ -	\$ -	\$ -	\$ -
540	Transportation	\$ -	\$ -	\$ -	\$ -
550	Economic Environment	\$ -	\$ -	\$ -	\$ -
560	Mental and Physical Health	\$ -	\$ -	\$ -	\$ -
570	Culture and Recreational	\$ -	\$ -	\$ -	\$ -
Total Operating Expenditures		\$ -	\$ -	\$ -	\$ -
591-93	Debt Service	\$ -	\$ -	\$ -	\$ -
594-96	Capital Outlay	\$ 261,475.00	\$ -	\$ -	\$ -
Total Expenditures		\$ 261,475.00	\$ -	\$ -	\$ -
597-599	Other Financing Uses			\$ -	\$ -
Total Expenditures and Other Uses		\$ 261,475.00	\$ -	\$ -	\$ -
Excess (Deficit) of Resources Over Uses		\$ -	\$ 262,250.73	\$ -	\$ -
380	Nonrevenues (Except 384)	\$ -	\$ -	\$ -	\$ -
580	Nonexpenditures (Except 584)	\$ -	\$ -	\$ -	\$ -
Ending Net Cash and Investments		\$ -	\$ 262,250.73	\$ -	\$ -
The Accompanying Notes Are An Integral Part Of This Statement.					

MCAG NO. 0254		TOWN OF YACOLT		STATEMENT C-5	
Page 1 of 1					
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS					
For The Year Ended December 31, 2003					
	Fund Number And Name		Fund Number And Name		
Fund Type:	103 Cemetery		108 Fire		
	Budget	Actual	Budget	Actual	
Beginning Net Cash and Investments	\$ 11,000.00	\$ 10,356.08	\$ 480.00	\$ 479.61	
Revenues and Other Financing Sources	\$ 5,000.00	\$ 6,089.02	\$ 5.00	\$ 2.65	
Total Resources	\$ 16,000.00	\$ 16,445.10	\$ 485.00	\$ 482.26	
Expenditures And Other Financing Uses	\$ 16,000.00	\$ 3,472.24	\$ 485.00	\$ -	
Excess (Deficit) of Resources Over Uses	\$ -	\$ 12,972.86	\$ -	\$ 482.26	
Nonrevenues (Except 384)	\$ -	\$ -	\$ -	\$ -	
Nonexpenditures (Except 584)	\$ -	\$ -	\$ -	\$ -	
Ending Net Cash and Investments	\$ -	\$ 12,972.86	\$ -	\$ 482.26	
	Fund Number And Name		Fund Number And Name		
Fund Type:	402 Consumer Deposits		403 & 405 Stormwater		
	Budget	Actual	Budget	Actual	
Beginning Net Cash and Investments	\$ 2,800.00	\$ 2,848.95	\$ 14,000.00	\$ 15,176.15	
Revenues and Other Financing Sources	\$ -	\$ -	\$ 12,750.00	\$ 12,753.19	
Total Resources	\$ 2,800.00	\$ 2,848.95	\$ 26,750.00	\$ 27,929.34	
Expenditures And Other Financing Uses	\$ -	\$ -	\$ 26,750.00	\$ 10,136.14	
Excess (Deficit) of Resources Over Uses	\$ 2,800.00	\$ 2,848.95	\$ -	\$ 17,793.20	
Nonrevenues (Except 384)	\$ -	\$ -	\$ -	\$ -	
Nonexpenditures (Except 584)	\$ 2,800.00	\$ -	\$ -	\$ -	
Ending Net Cash and Investments	\$ -	\$ 2,848.95	\$ -	\$ 17,793.20	
	Fund Number And Name		Fund Number And Name		
Fund Type:					
	Budget	Actual	Budget	Actual	
Beginning Net Cash and Investments					
Revenues and Other Financing Sources					
Total Resources					
Expenditures And Other Financing Uses					
Excess (Deficit) of Resources Over Uses					
Nonrevenues (Except 384)					
Nonexpenditures (Except 584)					
Ending Net Cash and Investments					
The Accompanying Notes Are An Integral Part Of This Statement.					

NOTES TO FINANCIAL STATEMENTS
Town of Yacolt
January 1, 2003 through December 31, 2004

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The Town of Yacolt 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 Yacolt was incorporated in 1908 and operates under the laws of the state of Washington applicable to a fourth-class town with a mayor-council form of government. The Town of Yacolt is a general purpose government and provides public safety, fire prevention, street improvement, parks and recreation, and general administrative services. The Town of Yacolt 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 Yacolt 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 purposes. The following are the fund types used by the Town of Yacolt:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the Town of Yacolt. 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 of Yacolt.

PROPRIETARY FUND TYPES:

Enterprise Funds

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

b. Basis Of Accounting

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

NOTES TO FINANCIAL STATEMENTS
Town of Yacolt
January 1, 2003 through December 31, 2004

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 (except the General (Current Expense) Fund, where budgets are adopted at the department level). The budgets constitute the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal period end.

The Clerk/Treasurer is authorized to transfer budgeted amounts 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'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 posted to the General (Current Expense) Fund.

e. Deposits

The Town of Yacolt deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. \$930,892.58 of the deposits is uncollateralized.

f. Investments

See Note #3

g. Capital Assets

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

h. Compensated Absences

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

Sick leave may be accumulated up to 720 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

i. Long-Term Debt

See Note #6

NOTES TO FINANCIAL STATEMENTS
Town of Yacolt
January 1, 2003 through December 31, 2004

j. Other Financing Sources Or Uses

The Town's "Other Financing Sources Or Uses" consist of operating transfers in and operating transfers out.

k. Risk Management

GENERAL:

The Town of Yacolt is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989 when 32 municipalities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, 64 municipalities participate in the pool (as of 12/31/04).

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials liability, employee fidelity and faithful performance, and boiler and machinery insurance coverage. Boiler and machinery and employee fidelity coverage are stand-alone policies that the AWC RMSA arranges for its members. The AWC RMSA also allows members to group purchase airport liability coverages.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. AWC RMSA, itself, pays out of its own funds all claims up to \$300,000 for liability and \$25,000 for property and thereafter purchases excess liability insurance through NLC Mutual Insurance Company, up to \$1 million, and CV Starr, from \$1 million to \$5 million. The first \$50 million in excess property coverage is purchased through Westchester Surplus Lines Insurance Company, with an additional \$200 million purchased from Landmark American Insurance Company using the Pool's broker, Willis of Seattle, Inc. Since the AWC RMSA is a cooperative program, the members of the AWC RMSA are jointly liable.

Members contract to remain in the pool a minimum of one year and must give one-year notice before terminating participation. 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 governed by a board of directors serving ex-officio as the AWC Board of Directors.

NOTES TO FINANCIAL STATEMENTS
Town of Yacolt
January 1, 2003 through December 31, 2004

UNPAID CLAIMS LIABILITIES:

As discussed in the note above, the AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In 1998, the AWC RMSA established a reassessment for claim years 1994 and 1995. Claims in those years exceeded their loss fund. The municipalities that were AWC RMSA members, during 1994 and 1995, began paying this reassessment in 1999 and will continue for a minimum of three years and a maximum of six years. Each member will pay a proportionate share of the reassessment.

The specific financials of the AWC RMSA can be seen in the Annual Report on file with the Town of Yacolt.

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 of Yacolt.

NOTE 3 - INVESTMENTS

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

Investments by type are as follows:

<u>Type of Investment</u>	<u>Balance at 12/31/03</u>	<u>Balance at 12/31/04</u>
Certificates of Deposit	\$ 273,956.13	\$ 276,606.82
Savings	\$ 755,546.51	\$ 821,818.10
Total	<u>\$1,029,502.64</u>	<u>\$1,098,424.92</u>

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

The Town's levy rate for 2003 was \$4.97969 per \$1,000 on an assessed valuation of \$43,659,549 for a total regular levy of \$210,160.21.

The Town's levy rate for 2004 was \$3.58379 per \$1,000 on an assessed valuation of \$43,695,665 for a total regular levy of \$152,682.45.

NOTES TO FINANCIAL STATEMENTS
Town of Yacolt
January 1, 2003 through December 31, 2004

NOTE 5 - INTERFUND LOANS AND ADVANCES

The Town had no interfund loans or advances as of 12-31-03.

The Town had no interfund loans or advances as of 12-31-04.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the Town of Yacolt and summarizes the Town's debt transactions for 2003 and 2004. The debt service requirements, including interest, are as follows:

	2003		
	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2004	\$ 0	\$ 5,000	\$ 5,000
2005	\$ 0	\$ 5,000	\$ 5,000
2006	\$ 0	\$ 5,000	\$ 5,000
2007	\$ 0	\$ 5,000	\$ 5,000
2008	\$ 0	\$ 5,000	\$ 5,000
2009-2014	\$ 0	\$27,500	\$27,500
TOTALS	\$ 0	\$52,500	\$52,500

	2004		
	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2005	\$ 0	\$ 5,000	\$ 5,000
2006	\$ 0	\$ 5,000	\$ 5,000
2007	\$ 0	\$ 5,000	\$ 5,000
2008	\$ 0	\$ 5,000	\$ 5,000
2009	\$ 0	\$ 5,000	\$ 5,000
2010-2015	\$ 0	\$20,000	\$20,000
TOTALS	\$ 0	\$45,000	\$45,000

NOTES TO FINANCIAL STATEMENTS
Town of Yacolt
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NOTE 7 - PENSION PLANS

Substantially all Town of Yacolt full-time and qualifying part-time employees participate in PERS II administered by the Department of Retirement Systems, under cost-sharing multiple-employer defined benefit 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 the plan.

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
P.O. Box 48380
Olympia, WA 98504-8380

OTHER DISCLOSURES

1. The *Beginning Net Cash and Investments* from Statement C-4 for each appropriate fund differs from the combined *Beginning Balance* from Schedule 11 and the *Beginning Balance* from Schedule 12. This difference is equal to the amount of outstanding warrants for 2002 and 2003.