

Washington State Auditor's Office
Financial Statements Audit Report

City of Colfax
Whitman County

Audit Period
January 1, 2005 through December 31, 2006

Report No. 72913

Issue Date
July 6, 2007



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

July 6, 2007

Mayor and City Council
City of Colfax
Colfax, Washington

Report on Financial Statements

Please find attached our report on the City of Colfax's financial statements.

We are issuing this report in order to provide information on the City'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

Table of Contents

**City of Colfax
Whitman County
January 1, 2005 through December 31, 2006**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters in Accordance with *Government Auditing Standards* 1

Independent Auditor's Report on Financial Statements 3

Financial Section 5

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

**City of Colfax
Whitman County
January 1, 2005 through December 31, 2006**

Mayor and City Council
City of Colfax
Colfax, Washington

We have audited the financial statements of the City of Colfax, Whitman County, Washington, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 14, 2007.

We conducted our audits 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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 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.

However, we noted certain matters that we have reported to the management of the City in a separate letter dated June 21, 2007.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City'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, the Mayor and City 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

May 14, 2007

Independent Auditor's Report on Financial Statements

City of Colfax Whitman County January 1, 2005 through December 31, 2006

Mayor and City Council
City of Colfax
Colfax, Washington

We have audited the accompanying financial statements of the City of Colfax, Whitman County, Washington, for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the City's management. 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 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 audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City 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 City of Colfax, for the years ended December 31, 2006 and 2005 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 City'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.

Our audits were 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 statements. 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

May 14, 2007

Financial Section

**City of Colfax
Whitman County
January 1, 2005 through December 31, 2006**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2006
Fund Resources and Uses Arising from Cash Transactions – 2005
Notes to the Financial Statements – 2006
Notes to the Financial Statements – 2005

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2006
Schedule of Long-Term Debt – 2005

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2006

BARS CODE		Fund Number and Name 001 General Fund		Fund Number and Name 104 City Streets	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		283,817	283,817	161,485	161,485
Revenues and Other Sources					
310	Taxes	798,082	788,963	175,784	170,772
320	Licenses and Permits	22,500	33,495	-	-
330	Intergovernmental	90,800	89,801	155,500	66,872
340	Charges for Goods and Services	500	1,258	-	-
350	Fines and Forfeits	46,000	42,265	-	-
360	Miscellaneous	26,650	16,720	3,800	5,890
370	Capital Contributions	-	-	-	-
390	Other Financing Sources	-	-	-	-
Total Revenues and Other Sources		984,532	972,502	335,084	243,534
Total Resources		1,268,349	1,256,319	496,569	405,019
Operating Expenditures:					
510	General Government	245,463	239,443	-	-
520	Public Safety	745,966	758,301	-	-
530	Physical Environment	-	-	-	-
540	Transportation	29,800	30,012	236,264	217,066
550	Economic Environment	-	-	-	-
560	Mental and Physical Health	600	149	-	-
570	Culture and Recreation	11,500	11,476	-	-
Total Operating Expenditures		1,033,329	1,039,381	236,264	217,066
591-593	Debt Service	-	-	-	-
594-595	Capital Outlay	-	-	100,000	6,159
Total Expenditures		1,033,329	1,039,381	336,264	223,225
597-599	Other Financing Uses	149,200	148,750	6,000	6,000
Total Expenditures and Other Uses		1,182,529	1,188,131	342,264	229,225
Excess (Deficit) of Resources Over Uses		85,820	68,188	154,305	175,794
380	Nonrevenues (Except 384 and 388.80)	43,990	39,447	-	-
580	Nonexpenditures (Except 584 and 588.80)	44,110	38,473	-	-
Ending Net Cash and Investments		\$ 85,700	\$ 69,162	\$ 154,305	\$ 175,794

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2006

BARS CODE		Fund Number and Name 302 Capital Outlay		Fund Number and Name 401 Water	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		199,056	199,056	182,953	182,953
Revenues and Other Sources					
310	Taxes	29,000	25,680	-	-
320	Licenses and Permits			-	-
330	Intergovernmental	261,250	261,250	-	-
340	Charges for Goods and Services			434,600	446,027
350	Fines and Forfeits			-	-
360	Miscellaneous	4,500	8,289	3,500	7,395
370	Capital Contributions			-	-
390	Other Financing Sources	27,000	27,000	-	-
Total Revenues and Other Sources		321,750	322,218	438,100	453,422
Total Resources		520,806	521,274	621,053	636,375
Operating Expenditures:					
510	General Government			-	-
520	Public Safety	100	36	-	-
530	Physical Environment			304,268	303,501
540	Transportation			-	-
550	Economic Environment			-	-
560	Mental and Physical Health			-	-
570	Culture and Recreation			-	-
Total Operating Expenditures		100	36	304,268	303,501
591-593	Debt Service			-	-
594-595	Capital Outlay	426,406	421,396	-	-
Total Expenditures		426,506	421,432	304,268	303,501
597-599	Other Financing Uses			146,400	146,400
Total Expenditures and Other Uses		426,506	421,432	450,668	449,901
Excess (Deficit) of Resources Over Uses		94,300	99,842	170,385	186,474
380	Nonrevenues (Except 384 and 388.80)			-	-
580	Nonexpenditures (Except 584 and 588.80)			-	-
Ending Net Cash and Investments		\$94,300	\$99,842	\$170,385	\$186,474

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2006

BARS CODE		Fund Number and Name 402 Sewer		Fund Number and Name 403 WA/SW Capital	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		111,572	111,572	137,060	137,060
Revenues and Other Sources					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental	-	-	-	-
340	Charges for Goods and Services	420,500	435,020	-	-
350	Fines and Forfeits	-	-	-	-
360	Miscellaneous	3,700	4,312	2,200	6,672
370	Capital Contributions	-	-	-	-
390	Other Financing Sources	-	-	107,000	107,000
Total Revenues and Other Sources		424,200	439,332	109,200	113,672
Total Resources		535,772	550,904	246,260	250,732
Operating Expenditures:					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Physical Environment	339,095	337,985	-	-
540	Transportation	-	-	-	-
550	Economic Environment	-	-	-	-
560	Mental and Physical Health	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Operating Expenditures		339,095	337,985	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Outlay	-	-	45,500	39,949
Total Expenditures		339,095	337,985	45,500	39,949
597-599	Other Financing Uses	102,400	102,400	-	-
Total Expenditures and Other Uses		441,495	440,385	45,500	39,949
Excess (Deficit) of Resources Over Uses		94,277	110,519	200,760	210,783
380	Nonrevenues (Except 384 and 388.80)	-	-	-	-
580	Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments		\$94,277	\$110,519	\$ 200,760	\$ 210,783

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2006

Fund Type:	Fund Number and Name 102 Park		Fund Number and Name 105 Flood/Storm Drain	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	32,413	32,413	16,251
Revenue and Other Financing Sources	154,835	153,844	29,310	30,049
Total Resources	187,248	186,257	45,561	46,300
Expenditures And Other Financing Uses	160,096	139,720	34,530	18,925
Excess (Deficit) of Resources Over Uses	27,152	46,537	11,031	27,375
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ 27,152	\$ 46,537	\$ 11,031	\$ 27,375

Fund Type:	Fund Number and Name 201 Main St Bond		Fund Number and Name 210 Vactor Capital Lease	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	-	-	28,613
Revenue and Other Financing Sources	-	-	1,240	1,106
Total Resources	-	-	29,853	29,719
Expenditures And Other Financing Uses	-	-	-	-
Excess (Deficit) of Resources Over Uses	-	-	29,853	29,719
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ -	\$ -	\$ 29,853	\$ 29,719

Fund Type:	Fund Number and Name 301 Main St Construction		Fund Number and Name 310 Cedar St Pathway	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	19,598	19,598	172,578
Revenue and Other Financing Sources	500	40	87,100	95,318
Total Resources	20,098	19,638	259,678	267,896
Expenditures And Other Financing Uses	19,700	19,638	87,000	323
Excess (Deficit) of Resources Over Uses	398	-	172,678	267,573
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ 398	\$ -	\$ 172,678	\$ 267,573

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2006

Fund Type:	Fund Number and Name 404 WA/SW Bond		Fund Number and Name 405 Public Wks Proj Red	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	30,791	30,791	17,117
Revenue and Other Financing Sources	15,900	16,129	116,640	116,256
Total Resources	46,691	46,920	133,757	133,373
Expenditures And Other Financing Uses	18,200	18,182	25,300	23,228
Excess (Deficit) of Resources Over Uses	28,491	28,738	108,457	110,145
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	101,689	90,733
Ending Net Cash and Investments	\$ 28,491	\$ 28,738	\$ 6,768	\$ 19,412

Fund Type:	Fund Number and Name 411 Water Service Line		Fund Number and Name 421 Civic Improvement	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	218,479	218,479	21,014
Revenue and Other Financing Sources	13,300	20,610	13,420	17,295
Total Resources	231,779	239,089	34,434	38,309
Expenditures And Other Financing Uses	30,251	18,153	10,000	8,555
Excess (Deficit) of Resources Over Uses	201,528	220,936	24,434	29,754
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ 201,528	\$ 220,936	\$ 24,434	\$ 29,754

Fund Type:	Fund Number and Name 501 Unemployment fund		Fund Number and Name 502 Information Tech.	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	7,692	7,692	6,433
Revenue and Other Financing Sources	100	350	32,040	31,617
Total Resources	7,792	8,042	38,473	38,050
Expenditures And Other Financing Uses	500	134	32,250	31,252
Excess (Deficit) of Resources Over Uses	7,292	7,908	6,223	6,798
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ 7,292	\$ 7,908	\$ 6,223	\$ 6,798

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2006

Fund Type:	Fund Number and Name 631 Payroll		Fund Number and Name 632 Claims	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	-	96,188	-	13,413
Revenue and Other Financing Sources	-	-	-	-
Total Resources	-	96,188	-	13,413
Expenditures And Other Financing Uses	-	-	-	-
Excess (Deficit) of Resources Over Uses	-	96,188	-	13,413
Nonrevenues (Except 384 and 388.80)	-	1,365,285	-	1,346,089
Nonexpenditures (Except 584 and 588.80)	-	1,357,210	-	1,347,330
Ending Net Cash and Investments	\$ -	\$ 104,263	\$ -	\$ 12,172

Fund Type:	Fund Number and Name		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	-		-	
Revenue and Other Financing Sources	-	-	-	-
Total Resources	-	-	-	-
Expenditures And Other Financing Uses	-	-	-	-
Excess (Deficit) of Resources Over Uses	-	-	-	-
Nonrevenues (Except 384 and 388.80)	-		-	
Nonexpenditures (Except 584 and 588.80)	-		-	
Ending Net Cash and Investments	\$ -	\$ -	\$ -	\$ -

Fund Type:	Fund Number and Name		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	-		-	
Revenue and Other Financing Sources	-	-	-	-
Total Resources	-	-	-	-
Expenditures And Other Financing Uses	-	-	-	-
Excess (Deficit) of Resources Over Uses	-	-	-	-
Nonrevenues (Except 384 and 388.80)	-		-	
Nonexpenditures (Except 584 and 588.80)	-		-	
Ending Net Cash and Investments	\$ -	\$ -	\$ -	\$ -

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2005

BARS CODE		Fund Number and Name 001 General Fund		Fund Number and Name 104 City Streets	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		400,172	400,172	149,872	149,872
Revenues and Other Sources					
310	Taxes	782,244	769,729	186,843	178,951
320	Licenses and Permits	32,500	13,032	-	-
330	Intergovernmental	55,880	80,162	60,500	60,777
340	Charges for Goods and Services	-	466	-	-
350	Fines and Forfeits	56,000	39,187	-	-
360	Miscellaneous	18,850	13,961	2,200	3,842
370	Capital Contributions	-	-	-	-
390	Other Financing Sources	-	-	-	-
Total Revenues and Other Sources		945,474	916,537	249,543	243,570
Total Resources		1,345,646	1,316,709	399,415	393,442
Operating Expenditures:					
510	General Government	232,416	218,922	-	-
520	Public Safety	737,578	731,593	-	-
530	Physical Environment	3,600	2,700	-	-
540	Transportation	5,500	4,809	249,715	226,157
550	Economic Environment	-	-	-	-
560	Mental and Physical Health	600	652	-	-
570	Culture and Recreation	9,600	8,465	-	-
Total Operating Expenditures		989,294	967,141	249,715	226,157
591-593	Debt Service	-	-	-	-
594-595	Capital Outlay	-	-	-	-
Total Expenditures		989,294	967,141	249,715	226,157
597-599	Other Financing Uses	63,200	63,200	21,800	5,800
Total Expenditures and Other Uses		1,052,494	1,030,341	271,515	231,957
Excess (Deficit) of Resources Over Uses		293,152	286,368	127,900	161,485
380	Nonrevenues (Except 384 and 388.80)	48,245	37,356	-	-
580	Nonexpenditures (Except 584 and 588.80)	48,104	39,907	-	-
Ending Net Cash and Investments		\$ 293,293	\$ 283,817	\$ 127,900	\$ 161,485

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2005

BARS CODE		Fund Number and Name 310 Arterial Street		Fund Number and Name 401 Water	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		0	0	129,353	129,353
Revenues and Other Sources					
310	Taxes			-	-
320	Licenses and Permits			-	-
330	Intergovernmental	427,000	427,787	-	-
340	Charges for Goods and Services			419,600	441,408
350	Fines and Forfeits			-	-
360	Miscellaneous	100	464	1,800	4,094
370	Capital Contributions			-	-
390	Other Financing Sources			-	-
Total Revenues and Other Sources		427,100	428,250	421,400	445,502
Total Resources		427,100	428,250	550,753	574,855
Operating Expenditures:					
510	General Government			-	-
520	Public Safety			-	-
530	Physical Environment			286,052	259,502
540	Transportation			-	-
550	Economic Environment			-	-
560	Mental and Physical Health			-	-
570	Culture and Recreation			-	-
Total Operating Expenditures				286,052	259,502
591-593	Debt Service			-	-
594-595	Capital Outlay	256,000	255,672	-	-
Total Expenditures		256,000	255,672	286,052	259,502
597-599	Other Financing Uses			132,400	132,400
Total Expenditures and Other Uses		256,000	255,672	418,452	391,902
Excess (Deficit) of Resources Over Uses		171,100	172,578	132,301	182,953
380	Nonrevenues (Except 384 and 388.80)			-	-
580	Nonexpenditures (Except 584 and 588.80)			-	-
Ending Net Cash and Investments		\$171,100	\$172,578	\$132,301	\$182,953

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2005

BARS CODE		Fund Number and Name 402 Sewer		Fund Number and Name 403 WA/SW Capital	
		Budget	Actual	Budget	Actual
Beginning Net Cash and Investments		144,663	144,663	189,947	189,947
Revenues and Other Sources					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental	-	-	-	-
340	Charges for Goods and Services	410,200	391,932	-	-
350	Fines and Forfeits	-	-	-	-
360	Miscellaneous	2,000	3,824	1,100	2,552
370	Capital Contributions	-	-	-	-
390	Other Financing Sources	-	-	122,000	123,093
Total Revenues and Other Sources		412,200	395,756	123,100	125,645
Total Resources		556,863	540,419	313,047	315,592
Operating Expenditures:					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Physical Environment	322,806	310,448	-	-
540	Transportation	-	-	-	-
550	Economic Environment	-	-	-	-
560	Mental and Physical Health	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Operating Expenditures		322,806	310,448	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Outlay	-	-	180,000	178,532
Total Expenditures		322,806	310,448	180,000	178,532
597-599	Other Financing Uses	118,400	118,400	-	-
Total Expenditures and Other Uses		441,206	428,848	180,000	178,532
Excess (Deficit) of Resources Over Uses		115,657	111,571	133,047	137,060
380	Nonrevenues (Except 384 and 388.80)	-	-	-	-
580	Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments		\$115,657	\$111,571	\$ 133,047	\$ 137,060

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2005

Fund Type:	Fund Number and Name 102 Park		Fund Number and Name 105 Flood/Storm Drain	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	35,340	35,340	10,627
Revenue and Other Financing Sources	144,978	141,132	29,150	29,431
Total Resources	180,318	176,472	39,777	40,058
Expenditures And Other Financing Uses	157,358	144,059	32,922	23,806
Excess (Deficit) of Resources Over Uses	22,960	32,413	6,855	16,252
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ 22,960	\$ 32,413	\$ 6,855	\$ 16,252

Fund Type:	Fund Number and Name 201 Main St Bond		Fund Number and Name 210 Vactor Capital Lease	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	-	-	57,817
Revenue and Other Financing Sources	-	-	400	1,136
Total Resources	-	-	58,217	58,953
Expenditures And Other Financing Uses	-	-	30,400	30,340
Excess (Deficit) of Resources Over Uses	-	-	27,817	28,613
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ -	\$ -	\$ 27,817	\$ 28,613

Fund Type:	Fund Number and Name 301 Main St Construction		Fund Number and Name 302 Capital Outlay	
	Budget	Actual	Budget	Actual
	Beginning Net Cash and Investments	19,098	19,098	133,565
Revenue and Other Financing Sources	350	500	42,600	86,124
Total Resources	19,448	19,598	176,165	219,689
Expenditures And Other Financing Uses	-	-	21,100	20,633
Excess (Deficit) of Resources Over Uses	19,448	19,598	155,065	199,056
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ 19,448	\$ 19,598	\$ 155,065	\$ 199,056

The Accompanying Notes Are An Integral Part Of This Statement.

**CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2005

Fund Type:	Fund Number and Name		Fund Number and Name 404 WA/SW Bond	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	-	-	33,014	33,014
Revenue and Other Financing Sources	-	-	15,450	15,864
Total Resources	-	-	48,464	48,878
Expenditures And Other Financing Uses	-	-	20,000	18,086
Excess (Deficit) of Resources Over Uses	-	-	28,464	30,792
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ -	\$ -	\$ 28,464	\$ 30,792

Fund Type:	Fund Number and Name 405 Public Wks Proj Red		Fund Number and Name 411 Water Service Line	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	26,663	26,663	222,307	222,307
Revenue and Other Financing Sources	105,300	105,435	10,800	14,377
Total Resources	131,963	132,098	233,107	236,684
Expenditures And Other Financing Uses	19,100	19,029	30,251	18,205
Excess (Deficit) of Resources Over Uses	112,863	113,069	202,856	218,479
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	96,709	95,951	-	-
Ending Net Cash and Investments	\$ 16,154	\$ 17,118	\$ 202,856	\$ 218,479

Fund Type:	Fund Number and Name 421 Civic Improvement		Fund Number and Name 501 Unemployment fund	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	14,058	14,058	5,656	5,656
Revenue and Other Financing Sources	13,100	14,320	8,080	8,087
Total Resources	27,158	28,378	13,736	13,743
Expenditures And Other Financing Uses	10,000	7,363	8,500	6,051
Excess (Deficit) of Resources Over Uses	17,158	21,015	5,236	7,692
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ 17,158	\$ 21,015	\$ 5,236	\$ 7,692

The Accompanying Notes Are An Integral Part Of This Statement.

CITY OF COLFAX
FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2005

Fund Type:	Fund Number and Name 502 Information Tech.		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	1,774	1,774	-	-
Revenue and Other Financing Sources	25,220	25,852	-	-
Total Resources	26,994	27,626	-	-
Expenditures And Other Financing Uses	24,950	21,193	-	-
Excess (Deficit) of Resources Over Uses	2,044	6,433	-	-
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ 2,044	\$ 6,433	\$ -	\$ -

Fund Type:	Fund Number and Name 631 Payroll		Fund Number and Name 632 Claims	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments	-	87,954	-	31,264
Revenue and Other Financing Sources	-	-	-	-
Total Resources	-	87,954	-	31,264
Expenditures And Other Financing Uses	-	-	-	-
Excess (Deficit) of Resources Over Uses	-	87,954	-	31,264
Nonrevenues (Except 384 and 388.80)	-	1,259,008	-	1,290,098
Nonexpenditures (Except 584 and 588.80)	-	1,250,774	-	1,307,950
Ending Net Cash and Investments	\$ -	\$ 96,188	\$ -	\$ 13,413

Fund Type:	Fund Number and Name		Fund Number and Name	
	Budget	Actual	Budget	Actual
Beginning Net Cash and Investments				
Revenue and Other Financing Sources				
Total Resources	-	-	-	-
Expenditures And Other Financing Uses				
Excess (Deficit) of Resources Over Uses	-	-	-	-
Nonrevenues (Except 384 and 388.80)	-	-	-	-
Nonexpenditures (Except 584 and 588.80)	-	-	-	-
Ending Net Cash and Investments	\$ -	\$ -	\$ -	\$ -

The Accompanying Notes Are An Integral Part Of This Statement.

City of Colfax
Notes to the Financial Statements
For the Year Ending December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colfax uses the revenue and expenditure classifications contained in the Budgeting, Accounting and Reporting System (BARS) manual (Category 2). The manual is prescribed by the State Auditor's Office under the authority of the Washington State law, chapter 43.09 RCW.

The City of Colfax was incorporated in 1873 and operates under the laws of the State of Washington applicable to a second class city with a mayor-council form of government. The City is a general purpose government and provides water and sewer utility services, street maintenance, public safety with police, fire and building inspection services, parks for quality of life and general administrative services. The City uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the city 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 city'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 city:

GOVERNMENTAL FUND TYPES:

General Fund (Current Expense)

This fund is the primary operating fund of the city. It accounts for all financial resources and transactions 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 City. These revenues are derived from specific taxes, grants, or other sources. Special Revenue Funds of the City include the Park Fund, Flood Control/Storm Drain Fund, Capital Improvement Fund and City Street Fund.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt. City Debt Service Funds consist of the Guarantee Fund, Bond Reserve and Redemption Fund, and the Public Works Project Debt Redemption Fund.

Capital Projects Funds

These funds account for the financial resources which are designated for the acquisition and construction of general government capital improvements. Capital Project Funds of the City include the Capital Outlay Fund and the Water/Sewer Outlay Fund.

Enterprise Funds:

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

Internal Service Funds:

These funds account for operations that provide goods or services to other departments or funds of the city on a cost-reimbursement basis.

Agency Funds:

These funds are used to account assets that the City 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. 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 the level. Annual appropriations for all funds lapse at the fiscal period end.

The City Treasurer is authorized to transfer budget 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 City of Colfax's legislative body.

D. Cash

It is the policy of the City of Colfax 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 all funds.

At December 31, 2006, the city cash holdings consisted of cash in the city checking accounts for outstanding claims, and payroll.

Checking Account:	Outstanding Claims	12,171.88
	Outstanding Payroll	104,263.03
	General Fund	(36,332.47)
	Total Checking Account	\$80,102.44
	Petty Cash/Change Funds	550.00
	TOTAL CASH	\$80,652.44

There were un-cleared checks totaling \$48.27 at year end bringing the actual Total Cash to \$80,604.17.

E. Deposits

City of Colfax deposits at year-end were entirely covered by the Federal Depository Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission.

F. Investments

See note 3-Investments

H. Fixed Assets

Fixed assets are long lived assets of the City of Colfax and are recorded as expenditures when purchased.

I. Compensated Absences

Vacation leave may be accumulated up to 240 hours (as of June 30) for all employees except the Fire Department. Fire Department employees can accumulate up to 360 hours. Vacation hours are payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave.

J. Long Term Debt

See Note 6 - Long Term Debt

K. Other Financing sources or uses

The City's other financing sources or uses consist of transfers In and Out to generate revenue in Capital and Debt Funds.

L. Risk Management

The City maintains insurance against most normal hazards except for unemployment insurance. The Unemployment Compensation Fund is responsible for collecting inter-fund transfers from the city funds and departments, if needed, for paying claim settlements. At December 31, 2006, the Unemployment Compensation Fund had \$7,907.18 available for unemployment claims.

The City of Colfax is a member of the Cities Insurance Association of Washington as of January 1, 1990. 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 Inter-local Cooperation Act. The pool was formed on September 1, 1988, when 34 cities in the State of Washington joined together by signing an: Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 110 member cities and 172 associate members.

The insurance pool 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 "claims made basis." All other coverages are on an "occurrence basis." The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and public officials liability.

The insurance 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 carriers 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 \$5,200,000 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 the 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 31, before terminating participation the following September 1. The Inter-local 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 signatory to the Inter-local Governmental Agreement.

The pool is fully funded by its member participants.. Claims are filed by members with Canfield & Associates, Inc. which has been contracted to perform pool administration, claims adjustments and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2005 and 2006 were \$1,057,063 and \$1,153,031 respectively.

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 City of Colfax.

NOTE 3 - INVESTMENTS

The City investments are either insured, registered or held by the city or its agent in the Cities name.

Investments by type at December 31, 2006 are as follows:

Savings – Bank of Whitman	347,201.38
State of Washington Investment Pool	1,225,955.67
TOTAL INVESTMENTS	\$1,573,157.05

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 City of Colfax. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes are levied.

The regular levy for the City of Colfax for 2006 was \$2.9653 per \$1,000 on an assessed valuation of \$114,954,097 for a total levy of \$340,873.38. In addition the city levied \$.7096 per thousand on an assessed valuation of \$105,688,817 to generate \$75,000 for a Park Levy approved by voters November 6, 2001. The Levy was payable in 2002. \$4.73 is still outstanding as of Dec 31, 2006.

NOTE 5 - INTERFUND ACTIVITY

There was an inter fund loan paid to the Cedar Street Fund out of the General Fund at the end of 2004, in the amount of \$198,000. This will be paid back with interest at the current interest rate in 2007 after TIB releases the retainage funds.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt provides a listing of the outstanding debt of the City and summarizes the city’s debt transactions for 2006. The annual requirements to amortize outstanding debt, including interest and capital lease payments, are as follows:

Year	DOE Headworks Loan	Fairview Wellhouse Loan	PWTF Improvements	92 Wa/Sw Bonds	Total Debt
2006	46,810		66,845	17,992	131,647
2007	46,810	5,866	65,835	17,000	135,511
2008	46,810	6,269	64,824		117,903
2009	46,810	6,240	63,813		116,863
2010	46,810	6,211	53,712		106,733
2011-15	234,052	30,622	121,653		386,327
2016-20	234,052	29,900	44,616		308,568
2021-25	163,836	23,400			187,236
TOTAL	865,990	108,508	481,298	34,992	1,490,788

In 2004 the City Council authorized a Public Works Board Loan in the amount of \$104,000 to replace the Fairview Well House. The City match on the loan was \$35,000. The project was completed in 2005 and a repayment schedule has been established.

NOTE 7 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in Public Employees’ Retirement System (PERS) or Law Enforcement Officers and Fire Fighters (LEOFF), 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 City of Colfax financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits. The City of Colfax also makes payments to the Volunteer Firemen Relief and Pension Fund.

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 by writing to:

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

NOTE 8 - OTHER DISCLOSURES

There are no other disclosures for 2006

City of Colfax
Notes to the Financial Statements
For the year ending December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Colfax uses the revenue and expenditure classifications contained in the Budgeting, Accounting and Reporting System (BARS) manual (Category 2). The manual is prescribed by the State Auditor's Office under the authority of the Washington State law, chapter 43.09 RCW.

The City of Colfax was incorporated in 1873 and operates under the laws of the State of Washington applicable to a second class city with a mayor-council form of government. The City is a general purpose government and provides water and sewer utility services, street maintenance, public safety with police, fire and building inspection services, parks for quality of life and general administrative services. The City uses single-entry, cash basis accounting, which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of the city 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 city'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 city:

GOVERNMENTAL FUND TYPES:

General Fund (Current Expense)

This fund is the primary operating fund of the city. It accounts for all financial resources and transactions 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 City. These revenues are derived from specific taxes, grants, or other sources. Special Revenue Funds of the City include the Park Fund, Flood Control/Storm Drain Fund, Capital Improvement Fund and City Street Fund.

Debt Service Funds

These funds account for the accumulation of resources to pay principal, interest and related costs on general long-term debt. City Debt Service Funds consist of the Guarantee Fund, Bond Reserve and Redemption Fund, and the Public Works Project Debt Redemption Fund.

Capital Projects Funds

These funds account for the financial resources which are designated for the acquisition and construction of general government capital improvements. Capital Project Funds of the City include the Capital Outlay Fund and the Water/Sewer Outlay Fund.

Enterprise Funds:

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

Internal Service Funds:

These funds account for operations that provide goods or services to other departments or funds of the city on a cost-reimbursement basis.

Agency Funds:

These funds are used to account assets that the City 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. 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 the level. Annual appropriations for all funds lapse at the fiscal period end.

The City Treasurer is authorized to transfer budget 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 City of Colfax's legislative body.

D. Cash

It is the policy of the City of Colfax 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 all funds.

At December 31, 2005, the city cash holdings consisted of cash in the city checking accounts for outstanding claims, and payroll.

Checking Account:	Outstanding Claims	13,413.05
	Outstanding Payroll	96,188.35
	General Fund	<u>(11,727.31)</u>
	Total Checking Account	\$97,874.09
	Petty Cash/Change Funds	550.00
	TOTAL CASH	\$98,424.09

There were un-cleared checks totaling \$78.00 at year end bringing the actual Total Cash to \$98,346.09.

E. Deposits

City of Colfax deposits at year-end were entirely covered by the Federal Depository Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission.

F. Investments

See note 3-Investments

H. Fixed Assets

Fixed assets are long lived assets of the City of Colfax and are recorded as expenditures when purchased.

I. Compensated Absences

Vacation leave may be accumulated up to 240 hours (as of June 30) for all employees except the Fire Department. Fire Department employees can accumulate up to 360 hours. Vacation hours are payable upon separation or retirement.

Sick leave may be accumulated indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave.

J. Long Term Debt

See Note 6 - Long Term Debt

K. Other Financing sources or uses

The City's other financing sources or uses consist of transfers In and Out to generate revenue in Capital and Debt Funds.

L. Risk Management

The City maintains insurance against most normal hazards except for unemployment insurance. The Unemployment Compensation Fund is responsible for collecting inter-fund transfers from the city funds and departments, if needed, for paying claim settlements. At December 31, 2005, the Unemployment Compensation Fund had \$7,691.78 available for unemployment claims.

The City of Colfax is a member of the Cities Insurance Association of Washington as of January 1, 1990. 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 Inter-local Cooperation Act. The pool was formed on September 1, 1988, when 34 cities in the State of Washington joined together by signing an: Inter-local Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. Currently, the CIAW has 115 member cities and 176 associate members.

The insurance pool 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 "claims made basis." All other coverages are on an "occurrence basis." The pool provides the following forms of group purchased insurance coverage for its members: property, general liability, law enforcement liability, automobile liability, employment practices liability, boiler and machinery, bonds of various types, and public officials liability.

The insurance 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 carriers 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 \$3,508,000 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 the 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 31, before terminating participation the following September 1. The Inter-local 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 signatory to the Inter-local Governmental Agreement.

The pool is fully funded by its member participants. Claims are filed by members with Canfield & Associates, Inc. which has been contracted to perform pool administration, claims adjustments and administration and loss prevention for the pool. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2004 and 2005 were \$951,388 and \$1,057,063 respectively.

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 City of Colfax.

NOTE 3 - INVESTMENTS

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

Investments by type at December 31, 2005 are as follows:

Savings – Bank of Whitman	491,865.39
State of Washington Investment Pool	1,166,311.35
TOTAL INVESTMENTS	\$1,658,176.74

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 City of Colfax. Delinquent taxes are considered fully collectible because a lien affixes to the property when taxes are levied.

The regular levy for the City of Colfax for 2005 was \$2.9598 per \$1,000 on an assessed valuation of \$111,766,778 for a total levy of \$330,807.31. In addition the city levied \$.7096 per thousand on an assessed valuation of \$105,688,817 to generate \$75,000 for a Park Levy approved by voters November 6, 2001. The Levy was payable in 2002. \$ 24.20 is still outstanding as of Dec 31, 2005.

NOTE 5 - INTERFUND ACTIVITY

There was an inter fund loan paid to the Cedar Street Fund out of the General Fund at the end of 2004, in the amount of \$198,000. This will be paid back with interest at the current interest rate when the Transportation Improvement Board funding comes through.

NOTE 6 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt provides a listing of the outstanding debt of the City and summarizes the city's debt transactions for 2005. The annual requirements to amortize outstanding debt, including interest and capital lease payments, are as follows:

Year	DOE Headworks Loan	Local Vactor Loan	PWTF Improvements	92 Wa/Sw Bonds	Total Debt
2005	46,810	30,340	67,855	17,915	162,920
2006	46,810		66,845	17,992	131,647
2007	46,810		65,834	17,000	129,644
2008	46,810		64,824		111,634
2009	46,810		63,813		110,623
2010-14	234,052		159,141		393,193
2015-19	234,052		60,840		294,892
2020-24	210,646		0.		210,646
2025					
TOTAL	912,801	30,340	549,152	52,907	1,545,200

In 2002 the City Council authorized a Dept of Ecology loan at 1.5% to rebuild the head-works at the Waste Water Treatment Plant. We borrowed \$784,953 for the project with a city match of \$85,000. The project is completed a final repayment schedule has been established. Amounts included are based on debt issued for \$794,459.60 in principal.

In 2004 the City Council authorized a Public Works Board Loan in the amount of \$104,000 to replace the Fairview Well House. The City will match the loan with \$35,000. The project was completed in 2005 and a repayment schedule will be established upon acceptance.

NOTE 7 - PENSION PLANS

Substantially all city full-time and qualifying part-time employees participate in Public Employees' Retirement System (PERS) or Law Enforcement Officers and Fire Fighters (LEOFF), 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 City of Colfax financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits. The City of Colfax also makes payments to the Volunteer Firemen Relief and Pension Fund.

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 by writing to:

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

NOTE 8 - OTHER DISCLOSURES

There are no other disclosures for 2005.

CITY OF COLFAX
SCHEDULE OF LONG TERM DEBT
For the Year Ended December 31, 2006

General Debt
 Revenue Debt
 Assessment Debt
 Other

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/06	Amount Issued in Current Year	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/06
252.11 - 1992 Water/Sewer Bonds	9/92	3/07	\$32,000	\$0	\$16,000	591.35.72	404	\$16,000
263.82 - Water System Improvements - East Hill Reservoir	6/91	7/11	\$200,634	\$0	\$33,439	582.34.78	405	\$167,195
263.90 - Hydrologic Study Loan	10/99	10/09	\$33,662	\$0	\$7,982	582.35.70	405	\$25,680
263.82 - Fairview Booster West Hill Looping Project	10/01	10/19	\$189,279	\$0	\$13,705	582.34.70	405	\$175,574
263.82 WWTP Headworks - Replacement	6/04	6/24	\$753,450	\$0	\$35,607	582.35.70	405	\$717,843
263.82 Water Fairview Well House	07/04	07/24	\$104,000	\$0	\$0	582.34.70	405	\$104,000
Totals			\$1,313,025	\$0	\$106,733			\$1,206,292

The Accompanying Notes Are An Integral Part Of This Schedule.

CITY OF COLFAX
SCHEDULE OF LONG TERM DEBT
For the Year Ended December 31, 2005

General Debt
 Revenue Debt
 Assessment Debt
 Other

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/05 (Ending Outstanding Debt Balance from Prior Year)	Amount Issued in Current Year	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/05
263.53 Local-Capital Lease Agreement - Vactor	06/99	12/05	\$29,376	\$0	\$29,376	591.48.70	210	\$0
Totals			\$29,376	\$0	\$29,376			\$0

The Accompanying Notes Are An Integral Part Of This Schedule.

CITY OF COLFAX
SCHEDULE OF LONG TERM DEBT
For the Year Ended December 31, 2005

General Debt
 Revenue Debt
 Assessment Debt
 Other

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 01/01/05	Amount Issued in Current Year	Amount Redeemed in Current Year	BARS Code for Redemption	Redeeming Fund Number	Ending Outstanding Debt 12/31/05
252.11 - 1992 Water/Sewer Bonds	9/92	3/07	\$47,000	\$0	\$15,000	591.35.72	404	\$32,000
263.82 - Water System Improvements - East Hill Reservoir	6/91	7/11	\$234,073	\$0	\$33,439	582.34.78	405	\$200,634
263.90 - Hydrologic Study Loan	10/99	10/09	\$41,372	\$0	\$7,710	582.35.70	405	\$33,662
263.82 - Fairview Booster West Hill Looping Project	10/01	10/19	\$202,799	\$0	\$13,520	582.34.70	405	\$189,279
263.82 WWTP Headworks - Replacement	6/04	6/24	\$784,953	\$9,507	\$41,009	582.35.70	405	\$753,450
263.82 Water Fairview Well House	07/04	07/24		\$104,000		582.34.70	405	\$104,000
Totals			\$1,310,197	\$113,507	\$110,678			\$1,313,025

The Accompanying Notes Are An Integral Part Of This Schedule.