

TOWN OF STEILACOOM
ANNUAL FINANCIAL
REPORT

For The Fiscal Year Ended
December 31, 2011

Prepared By

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Town Administrator

**TOWN OF STEILACOOM
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

As management of the Town of Steilacoom, we offer readers of the Town of Steilacoom's financial statements this narrative overview and analysis of the financial activities of the Town of Steilacoom for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished within the basic financial statements including the financial statement notes.

FINANCIAL HIGHLIGHTS:

1. The assets of the Town of Steilacoom exceeded its liabilities at the close of the most recent fiscal year by \$41,267,460 (*net position*). Of the total amount, \$13,007,031 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net position increased by \$1,627,367 of which \$813,781 was in governmental activities and \$813,586 in business-type activities.
3. As of the close of the current fiscal year, the Town of Steilacoom's governmental funds reported combined ending fund balances of \$7,019,126, an increase of \$451,953 in comparison with the prior year. Approximately \$4,001,332 of this total is *available for spending* at the government's discretion (*unassigned*). The increase was due to the Town taking a very conservative approach to revenue recognition and remaining fiscally conservative on the expenditure side, especially given the on-going economic situation.
4. At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,001,332 or 94% of the total general fund non-capital, ongoing expenditures.
5. The Town of Steilacoom's total debt, excluding compensated absences and the other post-employment benefit liability, decreased \$175,000 during the current fiscal year. Management continues to pursue a practice of calling or refunding debt if advantageous to the Town.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis are intended to serve as an introduction to the Town of Steilacoom's basic financial statements. The Town of Steilacoom's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Steilacoom's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Town of Steilacoom's assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Steilacoom is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave are some examples).

Both of the government-wide financial statements distinguish functions of the Town of Steilacoom that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Steilacoom include general government, public safety, streets, economic development, and culture and recreation. The business-type activities of the Town of Steilacoom include an electric utility, water and sewer utilities, storm drain utility, solid waste utility, and unemployment insurance.

The government-wide financial statements include only the Town of Steilacoom itself. The Town has no other *component units* for which it is financially accountable.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Steilacoom, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Steilacoom can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in *governmental funds* with similar information presented in *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. All these statements provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Steilacoom maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Steilacoom adopts a biannual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the General Fund, Street Fund, Parks Enhancement Fund, Community Center Fund, and Controlled Substances Fund.

Proprietary Funds

The Town of Steilacoom maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Steilacoom uses *enterprise funds* to account for its electrical, water/sewer, storm drain, solid waste, and unemployment insurance. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Town of Steilacoom's various functions. The Town of Steilacoom uses an internal service fund to account for its purchasing, communications, technology support, fleet management, and fleet replacement. Because these services benefit both governmental and business-type functions, the Internal Service Fund has been prorated between and reported in *governmental activities* and *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric operating fund, water operating fund, sewer operating fund, water sewer debt service fund, and storm drain fund all of which are considered to be major funds of the Town of Steilacoom. The one internal service fund is presented in the proprietary fund statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town of Steilacoom's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. The Town utilizes two fiduciary funds to account for customers' utility deposits and employee's voluntary deductions for medical expenses. These funds are combined in the Statement of Fiduciary Net Position.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the Town of Steilacoom's combining statements referred to earlier in connection with the nonmajor governmental and proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Steilacoom, assets exceeded liabilities by \$41,267,460 at the close of the most recent fiscal year.

By far, the largest portion of the Town of Steilacoom's net position (59% - \$23,328,653 of \$39,640,093) reflects its investment in capital assets (e.g. land, buildings, machinery, operating plant in service, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town of Steilacoom uses these capital assets to provide services to citizens; consequently, these assets are not available for future services. In the case of infrastructure, it is a matter of continuing debate within the accounting profession whether or not these items truly are assets once constructed and placed into operations. Although the Town of Steilacoom's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

TOWN OF STEILACOOM – NET POSITION

	GOV'T ACTIVITIES	BUSINESS ACTIVITIES	2011 TOTAL	2010 TOTAL
Current Assets	\$ 7,724,014	\$ 9,381,197	\$ 17,105,211	\$16,313,827
Restricted Assets		742,730	742,730	739,368
Capital Assets	14,191,683	13,063,222	27,254,905	26,258,653
Total Assets	\$21,915,697	\$23,187,149	\$ 45,102,846	\$44,311,848
Current Liabilities	\$ 208,758	\$ 685,868	\$ 894,626	\$ 517,858
Long-Term Liabilities	339,005	2,601,755	2,940,760	3,153,897
Total Liabilities	\$ 547,763	\$ 3,287,623	\$ 3,835,386	\$3,671,755
Net Assets				
Invested in Capital Net of Related Debt	\$14,191,683	\$10,308,222	\$24,499,905	\$23,328,653
Restricted	1,835,324	742,730	2,578,054	2,760,584
Committed	1,182,470		1,182,470	961,543
Unrestricted	4,158,457	8,848,574	13,007,031	12,589,313
Total Net Position	\$20,554,153	\$ 19,899,526	\$41,267,460	\$39,640,093

An additional portion of the Town of Steilacoom's net position (6% - \$2,578,054 of the \$41,267,460) represents resources that are subject to external and internal restrictions on how they may be used. Committed Net Assets (\$1,182,470 – 2.9%) represents resources whose use is constrained by limitations that the Town imposed upon ourselves by the Mayor and Council and that remain binding unless removed by them. The remaining balance of *unrestricted net assets* (\$13,007,031) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Steilacoom is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental and Business Type Activities – Changes in Net Position:

Governmental activities increased the Town of Steilacoom's net position by \$813,814 and business-type activities increased net position by \$813,586 for a total increase of \$1,627,367. The key elements of these increases may be attributed to the Town's continuing efforts in cost containment, revenue maximization and establishing charges

for services in both governmental and business-type activities that reflect recovery of the true full costs of providing the services.

TOWN OF STEILACOOM'S CHANGES IN NET POSITION

	GOVT'L ACTIVITIES	BUSINESS ACTIVITIES	2011 TOTAL	2010 TOTAL
Revenues				
Program Revenues				
Charges for Services	\$ 1,016,434	\$ 6,961,729	\$ 7,978,163	\$7,624,599
Operating Grants and Contributions	222,397		222,397	156,415
Capital Grants and Contributions	715,400	24,089	739,489	247,918
General Revenues				
Property Taxes	2,009,569		2,009,569	1,988,279
Other Taxes	1,310,722		1,310,722	1,291,227
Other Revenues	37,109	49,061	86,170	154,008
Total Revenues	\$5,311,631	\$ 7,034,879	\$12,346,510	\$11,462,446
Expenses				
General Government	\$ 1,600,115		\$ 1,600,115	\$1,567,201
Public Safety	2,108,771		2,108,771	2,039,698
Streets	892,317		892,317	813,641
Economic Development	190,668		190,668	223,415
Culture and Recreation	325,137		325,137	495,420
Interest on Debt				9,465
Electric Utility		\$ 2,543,265	2,543,265	2,456,389
Water Utility		615,455	615,455	628,488
Sewer Utility		2,108,700	2,108,700	1,977,630
Storm Drain Utility		291,613	291,613	267,906
Other		43,102	43,102	52,809
Total Expenses	\$ 5,117,008	\$ 5,602,135	\$10,719,143	\$10,532,064
Increase in Net Assets Before Transfers	\$ 194,623	\$ 1,432,744	\$ 1,627,367	\$ 930,382
Transfers	619,158	(619,158)	0	0
Net Position – January 1	\$20,554,153	\$19,085,940	\$39,640,093	\$37,611,626
Net Position – Dec. 31	\$21,367,934	\$ 19,899,526	\$41,267,460	\$39,640,093

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS:

As noted earlier, the Town of Steilacoom uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town of Steilacoom's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Steilacoom's financing requirements. In particular,

unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Steilacoom's governmental funds reported combined ending fund balances of \$7,019,126, an increase of \$451,953 from the prior year. The principal reason for this increase is the Mayor, Council, and staff aggressively managed our resources during the economic downturn. Of the \$7,019,126, approximately \$4,001,332 constitutes *unreserved/unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is restricted indicating that an external limitation has been placed on the use of those funds and they are not available for general purposes (\$1,835,324) or committed (\$1,182,470) meaning the Town Council has chosen to limit the purpose for which those funds may be used.

The General Fund is the chief operating fund of the Town of Steilacoom. At the end of the current fiscal year, unreserved/unassigned fund balance of the general fund was \$4,001,332, which represents 100% of the general fund total fund balance and approximately 94% of total expenditures for the current fiscal year.

The Town of Steilacoom's General Fund balance increased by approximately \$426,124, reflecting management's conservative revenue projections, aggressive actions to contain costs within core service areas, and approved but unfilled positions in the Department of Public Safety.

The Street Fund has a fund balance of \$419,207 as of the end of the current fiscal year, which reflects the results of an anticipated decrease of \$190,084 due to the impact of the Starling Street reconstruction project.

The Capital Projects fund has an ending fund balance of \$1,182,470 reflecting an increase of \$149,951 for the year. This increase was due to the rebuilding the fund's resources after the completion of several major street and sidewalk projects in the prior year.

Proprietary Funds

The Town of Steilacoom's proprietary funds provide information on the Town's utility operations. Complete disclosure of relevant information may be found in the government-wide financial statements and is not repeated here.

General Fund Budgetary Highlights

The original Revenues and Other Resources spending plan/budget for 2011 of \$4,576,554 was not increased during the year. The actual total revenue received was \$4,699,000 or an increase of \$122,446 with the largest differences being in Intergovernmental Revenues created by receiving various grants and awards not included in the budget.

The original General Fund Expenditure and Other Uses spending plan/budget for 2011 of \$4,576,554 also was not increased during the year. Actual expenditures of \$4,272,876 were \$303,678 less than budgeted due to continued cost saving efforts and unfilled positions in the Public Safety Department.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets

The Town of Steilacoom's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$27,254,905 (net of accumulated depreciation). The capital asset investment net of related debt as of December 31, 2011 was \$24,499,905. This investment in capital assets includes land, buildings, equipment, operating plant in service (utilities), and infrastructure (roads, etc).

Major capital asset events during the current year included the following:

1. Capitalization of the Cherrydale Woods property.
2. Capitalization of the Starling Street Reconstruction project.
3. Capitalization of energy efficiency equipment installed in the buildings.
- 2 Capitalization of the various pieces of equipment.

Additional information related to changes in capital assets may be found in Note 6 to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the Town of Steilacoom had total outstanding debt excluding compensated absences and other post-employment benefits (OPEB) of \$2,755,000. Information related to long-term debt is fully disclosed in Note XI of the financial statements.

State statutes limit the amount of general obligation debt a government entity may issue to 5% (2 ½% without a vote and an additional 2 ½% with a vote of the people.)

As of the end of the current fiscal year, the total general obligation debt limitation was \$16,950,418 with outstanding general obligation indebtedness of \$0, cash in the Debt Service Fund of \$0, leaving a margin of \$16,950,418.

ECONOMIC FACTORS AND THE 2011-2012 BIENNIUM BUDGET:

The Town took into account the following factors when preparing the 2011-2012 Biennium Budget:

1. The national and statewide economies continue experiencing severe economic downturns due to the collapse of the housing and lending markets.
2. The owner of the mill site property, the one industrial property in Town, continues salvage operations at the plant but has not submitted a

- redevelopment plan. Consequently, we did and do not anticipate anything occurring with this property during the budget period.
3. No utility rate increases were proposed, however, each of the utility's rate structure was to be reviewed during the biennium.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of the Town of Steilacoom's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Steilacoom
Paul Loveless, Town Administrator
1030 Roe Street
Steilacoom, Washington 98388

TOWN OF STEILACOOM
STATEMENT OF NET POSITION
DECEMBER 31, 2011

	<u>PRIMARY GOVERNMENT</u>		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<u>ASSETS AND OTHER DEBITS:</u>			
<u>CURRENT ASSETS:</u>			
Cash/Investments	\$7,391,100	\$8,647,144	\$16,038,244
Taxes Receivable	84,492		84,492
Accounts Receivable (net)	248,422	683,576	931,998
Inventories		50,477	50,477
Net Current Assets:	<u>\$7,724,014</u>	<u>\$9,381,197</u>	<u>\$17,105,211</u>
<u>RESTRICTED ASSETS:</u>			
Restricted Cash/Investments		\$742,730	\$742,730
Net Restricted Assets:	<u>\$0</u>	<u>\$742,730</u>	<u>\$742,730</u>
<u>CAPITAL ASSETS:</u>			
Land	\$4,685,195		\$4,685,195
Buildings	5,687,639	\$72,350	5,759,989
Accumulated Depreciation	(4,007,298)	(72,350)	(4,079,648)
Equipment	1,805,173	1,238,107	3,043,280
Accumulated Depreciation	(972,942)	(1,373,245)	(2,346,187)
Operating Plant In Service		21,300,041	21,300,041
Accumulated Depreciation		(8,101,681)	(8,101,681)
Infrastructure	14,516,239		14,516,239
Accumulated Depreciation	(7,522,323)		(7,522,323)
Net Capital Assets:	<u>\$14,191,683</u>	<u>\$13,063,222</u>	<u>\$27,254,905</u>
TOTAL ASSETS:	<u>\$21,915,697</u>	<u>\$23,187,149</u>	<u>\$45,102,846</u>
<u>LIABILITIES:</u>			
<u>CURRENT LIABILITIES:</u>			
Accounts Payable	\$54,310	\$439,568	\$493,878
Deposits	26,175		26,175
Due To Other Governmental Units	109,554	4,088	113,642
Interest Payable		53,294	53,294
Compensated Absences	18,719	8,918	27,637
Total Current Liabilities:	<u>\$208,758</u>	<u>\$505,868</u>	<u>\$714,626</u>
<u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</u>			
Revenue Bonds Payable - Current		\$180,000	\$180,000
Total Current Liabilities Payable From Restricted Assets:	<u>\$0</u>	<u>\$180,000</u>	<u>\$180,000</u>
<u>NON-CURRENT LIABILITIES:</u>			
Compensated Absences/OPEB	\$339,005	\$26,755	\$365,760
Revenue Bonds Payable - Long-Term		2,575,000	2,575,000
Total Noncurrent Liabilities:	<u>\$339,005</u>	<u>\$2,601,755</u>	<u>\$2,940,760</u>
TOTAL LIABILITIES:	<u>\$547,763</u>	<u>\$3,287,623</u>	<u>\$3,835,386</u>

TOWN OF STEILACOOM
STATEMENT OF NET POSITION
DECEMBER 31, 2011

	<u>PRIMARY GOVERNMENT</u>		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>NET POSITION:</u>			
Invested In Capital Assets, Net of Related Debt	\$14,191,683	\$10,308,222	\$24,499,905
Restricted For:			
Debt Service		742,730	742,730
Capital Projects	1,821,439		1,821,439
Public Safety	13,885		13,885
Committed For:			
Capital Projects	1,182,470		1,182,470
Unrestricted	4,158,457	8,848,574	13,007,031
TOTAL NET POSITION:	\$21,367,934	\$19,899,526	\$41,267,460

The notes to the financial statements are an integral part of this statement.

**TOWN OF STELLACOOM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	PROGRAM REVENUES				NET (EXPENSE) REVENUES AND CHANGE IN NET POSITION		
	Expenses	Charges For Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	Total
			Capital Contributions	Governmental Activities			
Functions/Programs							
Primary Government							
Governmental Activities:							
General Government	\$1,600,115	\$485,233	\$96,606	\$588,780	(\$429,496)		(\$429,496)
Public Safety	2,108,771	253,466	120,605		(1,734,700)		(1,734,700)
Streets	892,317	2,100		\$126,620	(763,597)		(763,597)
Economic Development	190,668	128,523			(62,145)		(62,145)
Culture and Recreation	325,137	147,112	5,186		(172,839)		(172,839)
Total Governmental Activities:	\$5,117,008	\$1,016,434	\$222,397	\$715,400	(\$3,162,777)	\$0	(\$3,162,777)
Business-Type Activities:							
Electric	\$2,543,265	\$2,785,317		\$9,250	\$251,302		\$251,302
Water	615,455	989,708		6,353	380,606		380,606
Sewer	2,108,700	2,601,410		6,536	499,246		499,246
Storm	291,613	549,005		1,950	259,342		259,342
Other Proprietary Funds	43,102	36,289			(6,813)		(6,813)
Total Business-Type Activities:	\$5,602,135	\$6,961,729	\$0	\$24,089	\$0	\$1,383,683	\$1,383,683
Total Primary Government:	\$10,719,143	\$7,978,163	\$222,397	\$739,489	(\$3,162,777)	\$1,383,683	(\$1,779,094)
General Revenues:							
Property Taxes					\$2,009,569		\$2,009,569
Sales Taxes					328,287		328,287
Franchise Fees					815,438		815,438
Other Taxes					166,997		166,997
Investment Earnings					37,109	\$49,061	86,170
Transfers:					619,158	(619,158)	0
Total General Revenues and Transfers					\$3,976,558	(\$570,097)	\$3,406,461
Change In Net Position					\$813,781	\$813,586	\$1,627,367
Net Position - January 1, 2011					\$20,554,153	\$19,085,940	\$39,640,093
Net Position - December 31, 2011					\$21,367,934	\$19,899,526	\$41,267,460

The notes to the financial statements are an integral part of this statement.

TOWN OF STEILACOOM
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	GENERAL FUND	STREET FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS AND OTHER DEBITS:</u>					
Cash/Investments	\$4,064,056	\$419,207	\$1,182,470	\$1,417,141	\$7,082,874
Taxes Receivable	84,492				84,492
Accounts Receivable (net)	248,422				248,422
TOTAL ASSETS:	<u>\$4,396,970</u>	<u>\$419,207</u>	<u>\$1,182,470</u>	<u>\$1,417,141</u>	<u>\$7,415,788</u>
<u>LIABILITIES AND OTHER CREDITS:</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable	\$52,004			\$1,024	\$53,028
Deferred Revenue	207,905				207,905
Deposits Payable	26,175				26,175
Due To Other Governmental Units	109,554				109,554
Net Current Liabilities:	<u>\$395,638</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,024</u>	<u>\$396,662</u>
TOTAL LIABILITIES:	<u>\$395,638</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,024</u>	<u>\$396,662</u>
<u>FUND BALANCE:</u>					
Nonspendable					\$0
Restricted		\$419,207		\$1,416,117	1,835,324
Committed					
Capital Projects			\$1,182,470		1,182,470
Assigned					
Unassigned	4,001,332				4,001,332
TOTAL FUND BALANCES:	<u>\$4,001,332</u>	<u>\$419,207</u>	<u>\$1,182,470</u>	<u>\$1,416,117</u>	<u>\$7,019,126</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$4,396,970</u>	<u>\$419,207</u>	<u>\$1,182,470</u>	<u>\$1,417,141</u>	<u>\$7,415,788</u>

Amounts reported for the governmental activities in the Statement of Net Position are different because:

Uncollected taxes and court receivable are not available to pay for current-period expenditures and are deferred. \$207,905

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 13,694,869

Long-term liabilities are not reported in governmental funds. (354,430)

An Internal Service Fund is utilized to charge costs for fleet management, information technology, purchasing, and other services. Assets and liabilities of the Internal Service Fund are reallocated to governmental and business-type activities. 800,464

NET POSITION OF GOVERNMENTAL ACTIVITIES \$21,367,934

The notes to the financial statements are an integral part of this statement.

TOWN OF STELLACOOM
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2011

3/12/2012

Pre-Format Change

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS						TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
	ELECTRIC FUND	WATER FUND	SEWER FUND	STORM FUND	OTHER PROPRIETARY FUNDS			
ASSETS AND OTHER DEBITS:								
CURRENT ASSETS:								
Cash/Investments	\$3,654,175	\$1,510,060	\$2,688,564	\$456,349	\$29,769	\$8,338,917	\$616,453	
Accounts Receivable (net)	302,611	101,768	237,110	42,087		683,576		
Inventories							50,477.00	
Net Current Assets:	\$3,956,786	\$1,611,828	\$2,925,674	\$498,436	\$29,769	\$9,022,493	\$666,930	
NONCURRENT ASSETS:								
Restricted Cash/Investments		\$161,546	\$181,184			\$742,730		
Capital Assets								
Buildings	\$14,239	72,350	25,094			72,350	\$2,275,782	
Equipment	3,892,102	60,883	9,589,708	\$4,177,268		100,216		
Operating Plant In Service	(2,329,884)	(1,474,284)	(4,100,291)	(1,001,740)		21,300,041	(1,282,154)	
Accumulated Depreciation	\$1,576,457	\$2,299,912	\$5,514,511	\$3,175,528	\$0	\$12,566,408	\$993,628	
Net Capital Assets:	\$1,576,457	\$2,461,458	\$6,095,695	\$3,175,528	\$0	\$13,309,138	\$993,628	
Total Noncurrent Assets:	\$5,533,243	\$4,073,286	\$9,021,369	\$3,673,964	\$29,769	\$22,331,631	\$1,660,558	
TOTAL ASSETS:								
LIABILITIES:								
CURRENT LIABILITIES:								
Accounts Payable	\$313,931	\$15,867	\$105,846	\$360	\$2,281	\$438,285	\$2,565	
Due To Other Governmental Units			4,088			4,088		
Compensated Absences	1,593	2,960	2,229	1,312		8,094	1,647	
Interest Payable			53,294			53,294		
Total Current Liabilities:	\$315,524	\$18,827	\$165,457	\$1,672	\$2,281	\$503,761	\$4,212	
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:								
Revenue Bonds Payable - Current			\$180,000			\$180,000		
Total Current Liabilities			\$180,000			\$180,000		
Assets:	\$0	\$0	\$180,000	\$0	\$0	\$180,000	\$0	
NON-CURRENT LIABILITIES:								
Compensated Absences Payable	\$4,780	\$8,881	\$6,688	\$3,935		\$24,284	\$4,942	
Revenue Bonds Payable - Long-Term	\$4,780	\$8,881	2,575,000	\$3,935	\$0	2,575,000	\$4,942	
Total Noncurrent Liabilities:	\$9,560	\$17,762	\$2,581,688	\$7,870	\$0	\$2,599,284	\$9,884	
TOTAL LIABILITIES:	\$320,304	\$27,708	\$2,927,145	\$5,607	\$2,281	\$3,283,045	\$9,154	
NET POSITION:								
Invested in Capital Assets, Net of Related Debt	\$1,576,457	\$2,299,912	\$2,759,511	\$3,175,528		\$9,811,408	\$993,628	
Restricted	3,636,482	161,546	581,184	492,829	\$27,488	742,730	657,776	
Unrestricted	\$5,212,939	\$4,045,578	\$6,094,224	\$3,668,357	\$27,488	\$19,048,586	\$1,651,404	
TOTAL NET POSITION:						\$850,940		
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise operations.								
Net Position of Business-Type Activities:								
						\$19,899,526		

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	GENERAL FUND	STREET FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Property	\$2,003,855				\$2,003,855
Sales and Use	285,571			\$42,716	328,287
Utility and Franchise	815,438				815,438
Other	78,489		\$44,254	44,254	166,997
Licenses & Permits	75,839				75,839
Intergovernmental	221,372	\$126,620	208,780		556,772
Charges for Service	541,635		140,152		681,787
Fines & Forfeitures	107,612				107,612
Interest Income	20,714	3,121	4,523	7,185	35,543
Miscellaneous	27,783			1,025	28,808
TOTAL REVENUES:	\$4,178,308	\$129,741	\$397,709	\$95,180	\$4,800,938
EXPENDITURES					
Current:					
General Governmental	\$1,293,477				\$1,293,477
Public Safety	2,100,937				2,100,937
Transportation	354,498				354,498
Economic And Physical Development	190,668				190,668
Culture and Recreation	315,500			\$29,218	344,718
Capital Outlay:					
Streets			\$319,826		319,826
Parks					0
Other			364,019		364,019
TOTAL EXPENDITURES:	\$4,255,080	\$0	\$683,845	\$29,218	\$4,968,143
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	(\$76,772)	\$129,741	(\$286,136)	\$65,962	(\$167,205)
OTHER FINANCING SOURCES (USES)					
Transfers In	\$520,692		\$436,087		\$956,779
Transfers Out	(17,796)	(319,825)			(337,621)
TOTAL OTHER FINANCING SOURCES AND USES:	\$502,896	(\$319,825)	\$436,087	\$0	\$619,158
NET CHANGE IN FUND BALANCE:	\$426,124	(\$190,084)	\$149,951	\$65,962	\$451,953
Fund Balance - Beginning of Year	3,575,208	609,291	1,032,519	1,350,155	6,567,173
Fund Balance - End of Year	<u>\$4,001,332</u>	<u>\$419,207</u>	<u>\$1,182,470</u>	<u>\$1,416,117</u>	<u>\$7,019,126</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds:	\$451,953
Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	1,103,679 (783,594)
Change in accrual related to Other Post-Employment Benefits and change in accrual for compensated absences.	5,114
Revenues in the statement of activities which do not provide current financial resources and are not included in the Statement of Revenues, Expenditures and Changes in Fund Balance.	129,127
Impact of combining Internal Service Fund interest income and reduction in expenses for the difference between revenues and expenses for the governmental purposes.	1,566 (13,690)
Net other adjustments.	(80,374)
Change in net position - governmental activities:	<u>\$813,781</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>W/ FINAL BUDGET</u>
REVENUES				
Taxes:				
Property	\$2,012,932	\$2,012,932	\$2,003,855	(\$9,077)
Sales and Use	244,118	244,118	285,571	41,453
Utility and Franchise	830,420	830,420	815,438	(14,982)
Other	75,900	75,900	78,489	2,589
Licenses & Permits	55,450	55,450	75,839	20,389
Intergovernmental	129,292	129,292	221,372	92,080
Charges for Service	566,575	566,575	541,635	(24,940)
Fines & Forfeitures	101,187	101,187	107,612	6,425
Interest Income	20,000	20,000	20,714	714
Miscellaneous	20,000	20,000	27,783	7,783
TOTAL REVENUES:	<u>\$4,055,874</u>	<u>\$4,055,874</u>	<u>\$4,178,308</u>	<u>\$122,434</u>
EXPENDITURES				
Current:				
General Governmental	\$1,437,913	\$1,437,913	\$1,293,477	\$144,436
Public Safety	2,215,167	2,215,167	2,100,937	114,230
Transportation	334,400	334,400	354,498	(20,098)
Economic And Physical Development	214,356	214,356	190,668	23,688
Culture and Recreation	356,915	356,915	315,500	41,415
Debt Service:				
Principal				
Interest				
Capital Outlay:				
Streets				
Parks				
Other				
TOTAL EXPENDITURES:	<u>\$4,558,751</u>	<u>\$4,558,751</u>	<u>\$4,255,080</u>	<u>\$303,671</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(\$502,877)</u>	<u>(\$502,877)</u>	<u>(\$76,772)</u>	<u>\$426,105</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$520,680	\$520,680	\$520,692	\$12
Transfers Out	17,803	\$17,803	17,796	(\$7)
TOTAL OTHER FINANCING SOURCES AND USES:	<u>\$502,877</u>	<u>\$502,877</u>	<u>\$502,896</u>	<u>\$5</u>
NET CHANGE IN FUND BALANCE:	\$0	\$0	\$426,124	\$426,110
Fund Balance - Beginning of Year	3,575,208	3,575,208	3,575,208	0
Fund Balance - End of Year	<u>\$3,575,208</u>	<u>\$3,575,208</u>	<u>\$4,001,332</u>	<u>\$426,110</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>STREET FUND</u>	<u>VARIANCE W/ FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes:				
Property				
Sales and Use				
Utility and Franchise				
Other				
Licenses & Permits				
Intergovernmental	\$140,306	\$140,306	\$126,620	(\$13,686)
Charges for Service				0
Fines & Forfeitures				
Interest Income	2,650	2,650	3,121	471
Miscellaneous				
TOTAL REVENUES:	<u>\$142,956</u>	<u>\$142,956</u>	<u>\$129,741</u>	<u>(\$13,215)</u>
EXPENDITURES				
Current:				
General Governmental				
Public Safety				
Transportation				
Economic And Physical Development				
Culture and Recreation				
Debt Service:				
Principal				
Interest				
Capital Outlay:				
Streets				
Parks				
Other				
TOTAL EXPENDITURES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>\$142,956</u>	<u>\$142,956</u>	<u>\$129,741</u>	<u>(\$13,215)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out	\$551,000	\$551,000	319,825	231,175
Agency Inflows				
Agency Payments				
TOTAL OTHER FINANCING SOURCES AND USES:	<u>(\$551,000)</u>	<u>(\$551,000)</u>	<u>(\$319,825)</u>	<u>\$231,175</u>
NET CHANGE IN FUND BALANCE:	(\$408,044)	(\$408,044)	(\$190,084)	\$217,960
Fund Balance - Beginning of Year	609,291	609,291	609,291	0
Fund Balance - End of Year	<u>\$201,247</u>	<u>\$201,247</u>	<u>\$419,207</u>	<u>\$217,960</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
PARKS ENHANCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE W/ FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Taxes:				
Property				
Sales and Use	\$41,500	\$41,500	\$42,716	\$1,216
Utility and Franchise				
Other				
Licenses & Permits				
Intergovernmental				
Charges for Service				
Fines & Forfeitures				
Interest Income	500	500	1,246	746
Miscellaneous			600	600
TOTAL REVENUES:	<u>\$42,000</u>	<u>\$42,000</u>	<u>\$44,562</u>	<u>\$2,562</u>
EXPENDITURES				
Current:				
General Governmental				
Public Safety				
Transportation				
Economic And Physical Development				
Culture and Recreation	\$94,500	\$94,500	\$19,580	\$74,920
Debt Service:				
Principal				
Interest				
Capital Outlay:				
Streets				
Parks				
Other				
TOTAL EXPENDITURES:	<u>\$94,500</u>	<u>\$94,500</u>	<u>\$19,580</u>	<u>\$74,920</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(\$52,500)</u>	<u>(\$52,500)</u>	<u>\$24,982</u>	<u>\$77,482</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Agency Inflows				
Agency Payments				
TOTAL OTHER FINANCING SOURCES AND USES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
NET CHANGE IN FUND BALANCE:	(\$52,500)	(\$52,500)	\$24,982	\$77,482
Fund Balance - Beginning of Year	221,689	221,689	221,689	0
Fund Balance - End of Year	<u>\$169,189</u>	<u>\$169,189</u>	<u>\$246,671</u>	<u>\$77,482</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
COMMUNITY CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE W/ FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes:				
Property				
Sales and Use				
Utility and Franchise				
Other				
Licenses & Permits				
Intergovernmental				
Charges for Service				
Fines & Forfeitures				
Interest Income	\$68	\$68	\$7	(\$61)
Miscellaneous			\$425	\$425
TOTAL REVENUES:	<u>\$68</u>	<u>\$68</u>	<u>\$432</u>	<u>\$364</u>
EXPENDITURES				
Current:				
General Governmental				
Public Safety				
Transportation				
Economic And Physical Development				
Culture and Recreation	\$7,454	\$7,454	\$9,638	(\$2,184)
Debt Service:				
Principal				
Interest				
Capital Outlay:				
Streets				
Parks				
Other				
TOTAL EXPENDITURES:	<u>\$7,454</u>	<u>\$7,454</u>	<u>\$9,638</u>	<u>(\$2,184)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(\$7,386)</u>	<u>(\$7,386)</u>	<u>(\$9,206)</u>	<u>(\$1,820)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Agency Inflows				
Agency Payments				
TOTAL OTHER FINANCING SOURCES AND USES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
NET CHANGE IN FUND BALANCE:	(\$7,386)	(\$7,386)	(\$9,206)	(\$1,820)
Fund Balance - Beginning of Year	9,206	9,206	9,206	0
Fund Balance - End of Year	<u>\$1,820</u>	<u>\$1,820</u>	<u>\$0</u>	<u>(\$1,820)</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
CONTROLLED SUBSTANCES FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE W/ FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes:				
Property				
Sales and Use				
Utility and Franchise				
Other				
Licenses & Permits				
Intergovernmental				
Charges for Service				
Fines & Forfeitures				
Interest Income	\$350	\$350	\$71	(\$279)
Miscellaneous				
TOTAL REVENUES:	<u>\$350</u>	<u>\$350</u>	<u>\$71</u>	<u>(\$279)</u>
EXPENDITURES				
Current:				
General Governmental				
Public Safety	\$1,000	\$1,000	\$0	\$1,000
Transportation				
Economic And Physical Development				
Culture and Recreation				
Debt Service:				
Principal				
Interest				
Capital Outlay:				
Streets				
Parks				
Other				
TOTAL EXPENDITURES:	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$0</u>	<u>\$1,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(\$650)</u>	<u>(\$650)</u>	<u>\$71</u>	<u>\$721</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Agency Inflows				
Agency Payments				
TOTAL OTHER FINANCING SOURCES AND USES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
NET CHANGE IN FUND BALANCE:	(\$650)	(\$650)	\$71	\$721
Fund Balance - Beginning of Year	13,814	13,814	13,814	0
Fund Balance - End of Year	<u>\$13,164</u>	<u>\$13,164</u>	<u>\$13,885</u>	<u>\$721</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF STELLACOOM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					OTHER PROPRIETARY FUNDS	TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	STORM WATER UTILITY				
Operating Revenues								
Charges For Sales And Services	\$2,774,745	\$987,429	\$2,601,410	\$492,600	\$4,130	32,159	101,415	\$559,841
Electric Sales and Services								
Water Sales and Services								
Sewer Sales and Services								
Storm Drain Sales and Services								
Solid Waste Sales and Services								
Other Sales and Services	10,572	2,279	\$2,601,410	56,405	\$4,130	32,159	101,415	\$559,841
Total Operating Revenue	\$2,785,317	\$989,708	\$2,601,410	\$549,005	\$36,289	\$6,961,729	\$6,961,729	\$559,841
Operating Expenses								
Cost of Sales and Services	\$2,436,249	\$570,803	\$1,787,224	\$225,498	\$43,102	\$5,062,876	\$5,062,876	\$423,257
Depreciation	123,775	61,411	206,099	82,873	\$43,102	474,158	474,158	163,613
Total Operating Expenses	\$2,560,024	\$632,214	\$1,993,323	\$308,371	\$43,102	\$5,537,034	\$5,537,034	\$586,870
Operating Income	\$225,293	\$357,494	\$608,087	\$240,634	(\$6,813)	\$1,424,695	\$1,424,695	(\$27,029)
Nonoperating Revenues and Expenses								
Investment Earnings	\$18,791	\$9,047	\$16,782	\$2,548	\$368	\$47,536	\$47,536	\$3,091
Interest Expense			(131,835)			(131,835)	(131,835)	
Debt Service Fees			(301)			(301)	(301)	
Total Nonoperating Revenues and Expenses	\$18,791	\$9,047	(\$115,354)	\$2,548	\$368	(\$84,600)	(\$84,600)	\$3,091
Income Before Contributions and Transfers	\$244,084	\$366,541	\$492,733	\$243,182	(\$6,445)	\$1,340,095	\$1,340,095	(\$23,938)
Capital Contributions								
Developers/Others	\$9,250	\$6,353	\$6,536	\$1,950		\$24,089	\$24,089	
Transfers In								
Governmental Funds	9,948	7,848				17,796	17,796	
Proprietary Funds								
Transfers Out								
Governmental Funds	(178,581)	(200,539)	(186,249)	(71,585)		(636,954)	(636,954)	
Proprietary Funds								
Total Capital Contributions and Transfers	(\$159,383)	(\$186,338)	(\$179,713)	(\$69,635)	\$0	(\$595,069)	(\$595,069)	\$0
Change In Net Assets:	\$84,701	\$180,203	\$313,020	\$173,547	(\$6,445)	\$745,026	\$745,026	(\$23,938)
Total Net Position - Beginning	\$5,128,238	\$3,865,375	\$5,781,205	\$3,494,810	\$33,933	\$18,303,561	\$18,303,561	\$1,675,342
Total Net Position- Ending	\$5,212,939	\$4,045,578	\$6,094,225	\$3,668,357	\$27,488	\$19,048,587	\$19,048,587	\$1,651,404

The notes to the financial statements are an integral part of this statement.

TOWN OF STEILACOOM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Change in Net Position - Statement of Revenues, Expenses, and Changes in Fund Net Assets:	\$745,026
Net Impact of Consolidation of the Business-Type Activities in the Internal Service Fund:	(11,814)
Other Immaterial Adjustments:	80,374
Change in Net Position - Statement of Activities:	<u>\$813,586</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF STELLACOOM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	STORM WATER UTILITY	OTHER PROPRIETARY FUNDS	PROPRIETARY FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$2,782,008	\$1,049,529	\$2,603,799	\$548,352	\$4,130	\$6,987,818	
Payments to suppliers	(1,664,403)	(370,437)	(1,583,247)	(150,036)	(44,241)	(3,812,364)	(\$249,773)
Payments for employee wages/benefits	(470,340)	(202,270)	(195,165)	(135,436)	(902)	(1,004,113)	(170,562)
Payments for interfund services used					32,159	32,159	559,841
Net cash provided by operating activities	\$647,265	\$476,822	\$825,387	\$262,880	(\$8,854)	\$2,203,500	\$139,506
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to other funds							
Governmental Funds							
Proprietary Funds							
Transfers from other funds							
Governmental Funds	(\$178,581)	(\$200,539)	(\$186,249)	(\$71,585)		(\$636,954)	
Proprietary Funds							
Governmental Funds	9,948	7,848				17,796	
Other Noncapital Financing Activities							
Net cash provided (used) by noncapital financing activities	(\$168,633)	(\$192,691)	(\$186,249)	(\$71,585)	\$0	(\$619,158)	\$0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt							
Capital contributions							
Developers/Others	\$9,250	\$6,353	\$6,536	\$1,950		\$24,089	
Transfers to other funds							
Governmental Funds							
Proprietary Funds							
Transfers from other funds							
Governmental Funds							
Proprietary Funds							
Purchase of capital assets	(239,839)	(411,212)	(246,697)	(177,499)		(1,075,247)	(\$238,688)
Principal paid on capital debt			(175,000)			(175,000)	
Interest paid on capital debt			(134,763)			(134,763)	
Proceeds from sale of capital assets							
Net cash provided (used) by capital and related financing activities	(\$230,589)	(\$404,859)	(\$549,924)	(\$175,549)	\$0	(\$1,360,921)	(\$238,688)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest Income	\$18,791	\$9,047	\$16,782	\$2,548	\$368	\$47,536	\$3,091
Net cash provided (used) by investing activities	\$18,791	\$9,047	\$16,782	\$2,548	\$368	\$47,536	\$3,091
Net Increase in cash and cash equivalents	\$266,834	(\$111,681)	\$105,996	\$18,294	(\$8,486)	\$270,957	(\$96,091)
Cash and equivalents - January 1	\$3,387,341	\$1,783,287	\$3,163,752	\$438,055	\$38,255	\$8,810,690	\$712,544
Cash and equivalents - December 31	\$3,654,175	\$1,671,606	\$3,269,748	\$456,349	\$29,769	\$9,081,647	\$616,453

TOWN OF STELLACOOM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES:

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS						TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	STORM WATER UTILITY	OTHER PROPRIETARY FUNDS			
Operating Income	\$225,293	\$357,494	\$608,087	\$240,534	(\$6,813)	\$1,424,695	(\$27,029)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	\$123,775	\$61,411	\$206,099	\$82,873		\$474,158	\$163,613	
(increase) decrease in accounts receivable	(3,309)	59,821	2,389	(653)		58,248	6,876	
(increase) decrease in inventories							0	
Increase (decrease) in customer deposits	301,692	(2,727)	9,991	(60,509)	(\$1,139)	247,308	(2,728)	
Increase (decrease) in accounts payable	(186)	823	(1,749)	535	(902)	(1,749)	840	
Increase (decrease) in intergovernmental payable			570				(1,226)	
Increase (decrease) in compensated absences								
Total adjustments	\$421,972	\$119,328	\$217,300	\$22,246	(\$2,041)	\$778,805	\$166,535	
Net cash provided by operating activities	\$647,265	\$476,822	\$825,387	\$262,880	(\$8,854)	\$2,203,500	\$139,506	
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:								
Contributions of capital assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	COMBINED AGENCY FUND TOTAL
ASSETS	
Cash/Investments	\$182,497
Total Assets	<u>\$182,497</u>
LIABILITIES	
Deposits	\$182,497
Total Liabilities	<u>\$182,497</u>
NET POSITION	
Total Net Position	<u><u>\$0</u></u>

The notes to the financial statements are an integral part of this statement.

THE TOWN OF STEILACOOM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Steilacoom have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described in this section.

A. The Reporting Entity

The Town of Steilacoom, incorporated in 1854, is a municipal corporation governed by an elected Mayor and five-member Town Council. The Town operates under the laws of the State of Washington applicable to 4th class Towns. As required by generally accepted accounting principles, the financial statements present the Town of Steilacoom – the primary government – and its components units of which there are none.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* would be reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Town currently has no component units and no plans to create any.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Our policy is not to allocate indirect costs to a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Fund* accounts for resources received and utilized in the construction or significant repair of streets or for paying debt services costs related to prior street construction projects.

The *Capital Projects Fund* accounts for resources received and utilized for construction or significant repair of general governmental assets including but not limited to infrastructure, buildings, etc.

The government reports the following major proprietary funds:

The *Electric Utility* accounts for the activities of the government's electric distribution system.

The *Water Utility* accounts for the activities of the government's water distribution system.

The *Sewer Utility* accounts for the activities of the government's sewer collection system.

The *Storm Drain Utility* accounts for the activities of the government's storm drain collection system.

Additionally, the government reports the following fund type:

Internal Service Fund accounts for purchasing, central inventory, technology support, fleet maintenance and replacement and communications provided to other Town departments. No services or goods are provided to outside agencies or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance issued of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated revenues are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities are charges to customers for the services provided. Operating expenses for the enterprise and internal service fund include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Budgetary Information:

Scope of the Budget:

Biannual appropriated budgets are adopted for all funds at the fund level on either the modified accrual or full accrual basis of accounting depending upon the fund type.

Annual "spending plans" are developed as management tools and included in the statements; however, legal authorizations are established for the two year period.

Appropriations for all funds lapse at the end of the biennium.

Amending the Budget:

The Town Administrator is authorized to transfer budgeted amounts within a given fund, however, any revisions that alter the total expenditures must be approved by the Town Council.

When the Town Council determines that it is in the best interest of the Town to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by the majority of the Council after conducting two public hearings.

2011 was the first year of the 2011-2012 Biennium. The budget amounts shown in the financial statements reflect that portion of the total appropriation that was anticipated on being spent in 2011 based upon the initially adopted and amended biennium budget. Both the initial and revised spending plan/budget for 2011 are shown in the financial statements.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash, Cash Equivalents, and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value, which equals cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the Pool is the same as the fair value of pool shares.

During the year and at year-end, the Washington State Investment Pool held the majority of the Town's investments which, because they may be converted to cash within 24 hours, are reported as "Cash" in the financial statements.

At December 31, 2011, the Town's short-term investments with the Washington State Treasurer and the other investment were:

State Treasurer:	\$ 9,388,188
Key Bank – Jumbo CD:	1,198,141
McDonald Investments:	<u>5,501,900</u>
Total:	<u>\$16,088,229</u>

The Key Bank Jumbo CD was purchased on June 24, 2008 and matures on June 24, 2012. The interest rate is 5.165% and interest is posted to the CD monthly.

The Federal National Mortgage Association bond of \$499,500 with McDonald Investments was purchased on April 12, 2011 with a maturity date of August 24, 2014. The interest rate is 1.45%.

The Federal Home Loan Bank bond of \$502,650 with McDonald Investments was purchased on May 5, 2011, with a maturity date of October 27, 2014. The bond carries a multi-step interest rate.

The Federal Home Loan Bank bond of \$1,000,000 with McDonald Investments was purchased on June 16, 2011 with a maturity date of December 16, 2014. The bond carries a multi-step interest rate.

The Federal Home Loan Bank bond of \$999,750 with McDonald Investments was purchased on July 28, 2011 with a maturity date of July 26, 2013. The bond carries a multi-step interest rate.

The Federal National Mortgage Association bond of \$1,000,000 with McDonald Investments was purchased on September 2, 2011 with a maturity date of September 2, 2014. The interest rate is .625%

The Federal Home Loan Bank bond of \$500,000 with McDonald Investments was purchased on October 17, 2011, with a maturity date of April 17, 2015. The interest rate is .82%

The Federal Farm Credit Bank bond of \$500,000 with McDonald Investments was acquired on September 30, 2011, with a maturity date of September 23, 2013. The interest rate is .35%.

The Federal National Mortgage Association bond of \$500,000 with McDonald Investments was acquired on November 11, 2011, with a maturity date of November 11, 2014. The interest rate is .8%.

It is the policy of the Town to prorate the interest earned on investments to the various funds of the Town based upon their respective share of the investment at the end of each month.

The Town does maintain a compensating balance arrangement with its primary financial institution in lieu of being billed for services; however, a specific balance is not required. Any bank charges not covered by interest earned on the fluctuating daily balance are billed to the Town.

2. Receivable and Payables

Taxes receivable consists of property taxes. Property taxes are considered fully collectible and no allowance has been established. In the Governmental Statements, the property tax receivable at December 31 is fully offset by the Unearned Revenue account.

Trade accounts receivable consist primarily of charges for utility services. Balances in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. Trade accounts receivable are shown net of the associated allowance.

One special assessment exists in the Electric Utility. The amount presented (\$810) represents the remaining balance due from customers for utility improvements as of December 31, 2011.

3. Inventories

Inventories are purchased for and sold to various funds through the Internal Service - Central Stores Fund. Central Stores uses a perpetual inventory system with an average balance costing methodology for valuation. An inventory of physical goods on hand is taken once per year and the book balances are adjusted to the actual balance.

4. Restricted Assets

Certain resources in the enterprise funds are set aside for repayment of principal and interest on the outstanding revenue bonds pursuant to bond covenants, or, in the case of the Joint Facilities Fund, for future capital improvements in accordance with the Town's contract with the Lakewood Water District.

At December 31, 2011, restricted assets within the enterprise funds consist of:

Sewer Bond:	\$ 581,184
Water Utility:	<u>161,546</u>
Total:	<u>\$ 742,730</u>

5. Capital Assets

Capital assets, which include but are not limited to property, plant, equipment, and infrastructure assets, are reported in applicable government or business type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or contributed capital assets are recorded at estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight-line method over the estimated useful life of the asset. (See Note 6 for additional disclosure).

6. Accounts Payable

Account Payable represent amounts owed to third-parties for goods or services received as of December 31 and for which payment is usually made within 30-60 days of year-end.

7. Deposits

Deposits represent amounts held for either utility customers or for individuals renting Town facilities. These amounts are usually refunded once the individual either discontinues utility services or holds their event.

8. Due to Other Governmental Units

The Town collects monies for other governmental units. The balance in this account represents those funds which had not been remitted to those governments as of December 31.

9. Compensated Absences

It is the policy of the government to permit employees to accumulate earned but unused vacation and sick pay benefits.

Personnel Regulations state sick leave hours may be accumulated up to 960 hours. At termination of employment, employees do not receive cash payment for any accumulated sick leave. As such, no liability is recognized on the financial statements for accumulated sick leave balances.

Personnel Regulations state 240 vacation hours may be accumulated. Any excess hours earned, unless the Town Administrator has granted a waiver, are lost once the balance exceeds the 240-hour threshold. Upon termination, employees will be paid for any unused vacation balance up to 240 hours.

Vacation is accrued to and expended/expensed from its respective funds. Total vacation compensated absence accruals for year-end 2011 for all governmental funds were \$74,876 and for proprietary funds, accruals were \$35,673 for a total of \$110,549 (at the Government-wide level once applicable costs associated with the Town's Internal Service Fund are allocated).

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs are expensed when incurred. Bonds and other long-term debt instruments are shown at face value in the business-type activities statements. Refer to Note 11 for specific details.

11. Other Post-Employment Benefits (OPEB)

The Town, a single employer, is required to pay for the qualifying medical expenses for one (1) Public Safety Officer covered under the LEOFF 1 pension system. This officer retired effective March 31, 2007. No other Town employees receive this benefit and the LEOFF 1 system is a closed system at the State level so unless the Town hires an individual who is a member of that system, no additional employees will qualify for this benefit.

In accordance with GASB Statement #45, the Town recognized 100% of the estimated OPEB liability as of December 31, 2011 in the government-wide statements. (\$282,848). The Town utilizes a "pay as you go" method of funding costs related to this liability and has not irrevocably set aside any resources for funding those costs. Refer to Note XIX for additional information.

12. Unearned/Deferred Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the recognition criteria have not been met. As of December 31, 2011, the Unearned Revenues balance was \$207,905 consisting of \$84,492 in property tax receivables and \$123,413 in municipal court receivables.

13. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose. Additionally, commitments of resources are presented when the Town Council has directed resources to be used for specific type projects but no for no external restrictions exist.

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. *Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position*

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The details of the \$359,544 adjustment are:

Other Post-Employment Benefits:	282,848
Compensated Absences Payable:	<u>71,582</u>
Total:	<u>\$354,430</u>

(*) Does not include the additional \$3,294 compensated absence adjustment included as part of the Internal Service Fund adjustment.

B. *Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and Government-Wide Statement of Activities*

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures, however, in the statement of activities; the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. During 2011, the Town capitalized \$1,103,679 in infrastructure assets and general governmental assets. The Town depreciated \$783,694 in general governmental assets and infrastructure assets in 2011.

Additionally, during 2007, the Town recognized the full actuarial accrued liability related to the Other Post Employment Benefits (OPEB) for the Town's one LEOFF I retiree's medical benefits. In 2008, 2009, 2010, and again in 2011, the value of the OPEB benefits are fully recognized in the government-wide statements with the net change in the liability adjusted for in this statement. No specific assets have been restricted or set aside to fund these benefits.

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance and Accountability

There have been no material violations of finance-related legal or contractual provisions, and here have been no expenditures exceeding legal appropriations in any of the funds of the Town of Steilacoom based upon the fully adopted biennium budget.

B. Related Party Transactions

Other than within the primary government itself (between funds), the Town has not entered into any related party transactions. Additionally, the Town made no loans to or received loans from the Mayor, Council, members of the management team, or any other individual, group or entity which could be considered a related party.

NOTE IV - DEPOSITS AND INVESTMENTS

The Town of Steilacoom’s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

At December 31, 2011, the Town had \$874,692 on deposit in three demand accounts (checking) with Key Bank. (General Account, Municipal Court, Employee Flexible Spending).

100% of the Town’s investments throughout the year and at December 31, 2011 were made with the Washington State Local Government Investment Pool (LGIP) primarily, with McDonald Investments, or with Key Bank. The LGIP is an un-rated 2a-7 like pool, as defined by GASB statement #31. Accordingly, participants’ balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines, the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are all classified as Category 1 risk level investments. They are either insured or held by a third-party custody provider in the LGIP’s name.

Investments held as of December 31, 2011 all of which were designated as cash equivalents/investments on the balance sheet and/or statement of net assets are:

State Treasurer/LGIP:	\$ 9,388,188
Key Bank – Jumbo CD:	1,198,141
McDonald Investments:	<u>5,501,900</u>
Total:	<u>\$16,088,229</u>

Investment activity for the year excluding investments with the State Treasures’ Investment Pool was as follows:

Description	Balance 12-31-10	Purchases	Sales	Balance 12/31/11
McDonald Investment				
Federal Home Loan Bank	\$1,051,240		\$1,051,240	\$ 0
FNMA	500,000		500,000	0
Federal Home Loan Bank	508,260		508,260	0
Federal Home Loan Bank	500,000		500,000	0
Federal Home Loan Bank	499,500		499,500	0
Federal Farm Credit Bank		\$ 500,000	500,000	0
FNMA		499,500		499,500
Federal Home Loan Bank		502,650		502,650
Federal Home Loan Bank		1,000,000		1,000,000
Federal Home Loan Bank		999,750		999,750
FNMA		1,000,000		1,000,000
Federal Home Loan Bank		500,000		500,000
Federal Farm Credit Bank		500,000		500,000
FNMA		500,000		500,000
Key Bank – Jumbo CD	1,137,954	60,187		1,198,141
Total	\$4,196,954	\$6,062,087	\$3,559,000	\$6,700,041

Cost approximates market for all investments held by the Town.

Interest rate risk related to the Town's investments is minimal and is predicated more on the fact that the issuing agencies are calling the outstanding debt at an increasing frequency if advantageous for them to do so. Management's intent is to buy and hold investments to maturity absent these agency calls. As of December 31, 2011 and excluding the LGIP pool investments, the Town's investments carried the following interest rates.

Description	Balance 12/31/11	Interest Rate	COMMENTS
McDonald Investment			
FNMA	\$ 499,500	1.45%	Called 1/24/2012
Federal Home Loan Bank	502,650	Multi-step	Called 4/27/2012
Federal Home Loan Bank	1,000,000	Multi-step	Called 1/16/2012
Federal Home Loan Bank	999,750	Multi-step	Called 1/26/2012
FNMA	1,000,000	.625%	Called 3/2/2012
Federal Home Loan Bank	500,000	.82%	Called 4/17/2012
Federal Farm Credit Bank	500,000	.35%	
FNMA	500,000	.80%	
Key Bank -- Jumbo CD	1,198,141	5.165%	
Total	\$6,700,041		

On all called investments, the Town had always recovered the full amount invested plus interest.

Cash/Investments reconcile to the Statement of Net Position as follows:

Statement of Net Position:	
Current Assets:	\$16,038,244
Restricted Assets:	742,730
Subtotal:	<u>\$16,780,974</u>
Statement of Fiduciary Net Assets:	182,497
Total:	<u>\$16,963,471</u>
Detailed Support:	
State Treasurer:	\$ 9,388,188
McDonald Investments:	5,501,900
Key Bank – CD:	1,198,141
Key Bank:	871,320
Key Bank – Benefits:	3,372
Cash on Hand:	550
Total:	<u>\$16,963,471</u>

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the Town would not be able to recover the value of the investment or collateral securities. Given the nature of the Town's investments, Town management does not believe the Town has any significant custodial credit risk.

The Town does not participate in any foreign currency denominated investments and Town management does not believe that the Town has any foreign currency risk.

NOTE V - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1.

Taxes are due in two equal installments on April 30 and October 31. The County Treasurer remits collections monthly to the Town. During 2011, the County Treasurer remitted to the Town interest earned on its tax collections for the periods they were held by the County.

Property taxes are recorded as a receivable when levied and are offset by deferred revenue. During the year, property tax revenue is recognized when cash is received. No allowance for uncollectible taxes is established since delinquent taxes are considered fully collectible.

The Town is permitted to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. This may be reduced for any of the following reasons:

- a) The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation of \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.
- b) Washington State Law in RCW 84.55.010 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction. If the assessed valuation increases by more than 1 percent due to reevaluation, the levy rate will be decreased.
- c) The Town may voluntarily levy taxes below the legal limit.

For 2011, the Town's regular tax levy was approximately \$2.46 per \$1,000 for a regular levy of \$1,711,129 and a special EMS levy of approximately \$.43 per \$1,000 for a special levy of \$299,437.

The regular levy taxable value base as of December 31, 2011 for levies in 2012 was \$678,016,707.

NOTE 6 – CAPITAL ASSETS,

A. General Policies

Major expenditures for fixed assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewal are accounted for as expenditures or expenses when incurred.

All fixed assets are valued at historical cost or estimated cost where historical cost is not known or estimated market value for donated assets or the lower of cost or fair market value when transferred between governmental and business-type activities.

The Town may have acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the Town has sufficient legal interest to accomplish the purpose for which the assets were acquired, and has included such assets within the applicable fund.

B. Governmental Capital Assets

Governmental capital assets are assets with a life expectancy greater than 2 year and with a historical cost or estimated cost in excess of \$5,000 and which benefit the Town as a whole. When purchased, leased, or constructed, such assets are recorded as expenditures in the governmental funds and capitalized in the general fixed assets account group. The general fixed assets account group however is not reported in the financial statements. The assets appear in the government wide Statement of Net Assets.

Governmental capital assets that are infrastructure assets (such as roads, bridges, curbs, and sidewalks) are considered public property and in accordance with Governmental Accounting Standards Board Statement #34 were capitalized for the first time in 2002.

Changes in the Governmental Capital Asset Account for 2011 were:

CATEGORY	BALANCE 12-31-10	2011 ADDITIONS	2011 DELETIONS	BALANCE 12-31-11	ACCUM. DEPREC.	NET VALUE 12-31-11
Land	\$ 4,305,195	\$ 380,000		\$ 4,685,195		\$ 4,685,195
Buildings	5,330,739	356,900		5,687,639	4,007,298	1,680,341
Equipment						
Gen. Gov't	620,329	46,953		667,282	331,866	335,416
I/S Allocated	1,272,170	119,344	\$253,623	1,137,891	641,076	496,815
Infrastructure	14,196,413	319,826		14,516,239	7,522,323	6,993,916
Total	\$ 25,724,846	\$ 1,223,023	\$253,623	\$26,694,246	\$12,502,563	\$14,191,683

Calendar year 2011 additions primarily are comprised of the acquisition through donation of the Cherrydale Woods property; installation of energy efficient equipment in the buildings; acquisition and disposition of equipment; and construction of Starling Street.

C. Proprietary Fund Capital Assets

Capital assets of proprietary funds are capitalized in their respective statement of net assets. Depreciation expense is charged to operations of proprietary funds to allocate the cost of capital assets over their useful lives, using the straight-line method with useful lives of four to fifty years.

Changes in Proprietary Fund capital assets for 2011 were:

Internal Service Funds:

CATEGORY	BALANCE 12-31-10	2011 ADDITIONS	2011 DELETIONS	BALANCE 12-31-11
Equipment	2,193,774	238,688	(156,680)	2,275,782
Accumulated Depreciation	(1,275,221)	(157,113)	150,180	(1,282,154)
Net	918,553	81,575	(6,500)	993,628

Internal Service Fund fixed assets are distributed between governmental and business-type activities for the government-wide statement of net assets.

Enterprise Operations:

Electric Utility:

CATEGORY	BALANCE 12-31-10	2011 ADDITIONS	2011 DELETIONS	BALANCE 12-31-11
Capital Assets	3,666,502	239,839		3,906,341
Accumulated Depreciation	(2,206,109)	(123,775)		(2,329,884)
Net	1,460,393	116,064		1,576,457

Sewer Utility:

CATEGORY	BALANCE 12-31-10	2011 ADDITIONS	2011 DELETIONS	BALANCE 12-31-11
Capital Assets	9,368,104	246,698		9,614,802
Accumulated Depreciation	(3,894,192)	(206,099)		(4,100,291)
Net	5,473,912	40,599		5,514,511

Water Utility:

CATEGORY	BALANCE 12-31-10	2011 ADDITIONS	2011 DELETIONS	BALANCE 12-31-11
Capital Assets	3,362,984	411,212		3,774,196
Accumulated Depreciation	(1,412,873)	(61,411)		(1,474,284)
Net	1,950,111	349,801		2,299,912

Storm Drain Utility:

CATEGORY	BALANCE 12-31-10	2011 ADDITIONS	2011 DELETIONS	BALANCE 12-31-11
Capital Assets	4,005,488	177,500	(5,720)	4,177,268
Accumulated Depreciation	(924,587)	(82,873)	5,720	(1,001,740)
Net	3,080,901	94,627		3,175,528

NOTE VII - PENSION PLANS

Substantially all Town of Steilacoom full-time and qualifying part-time employees participate in one of the following state- wide local government retirement systems administered by the Department of Retirement Systems, under cost-sharing multiple- employer public employee defined benefit and defined contribution retirement plan. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. A copy of this report may be obtained at:

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

The following disclosures are made pursuant to GASB Statement #27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement #50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

The Legislature established PERS in 1947.

Membership in the system includes: elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges in a Judicial Retirement System), employees of legislative committees, community and technical colleges, college and university employees not participating in higher education retirement program; judges of district and municipal courts, and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit pension plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state or higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported as Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 members are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with 5 years of service, or at age 55 with 25 years of service. The monthly benefit is two percent of the average final compensation per year of service capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than age 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of survivor options. A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members may also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. (The AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credited and are age 55 or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to the age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

1. With a benefit that is reduced by 3% for each year before age 65.
2. With a benefit that has a smaller (or no) reduction (depending upon age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. This is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3% annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit calculated at 1% of average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of services; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible to retire with full benefits at 65, or they may retire early with the following conditions and benefits:

- A. If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- B. If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3% for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending upon age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2% of the AFC per year of service. For Plan 3, the monthly benefit amount is 1% of the AFC per year of service.

The disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3% annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members may also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit one eligible for retirement. This credit may only be purchased at the time of retirement and may be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duty-related benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or, if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

Judicial Benefit Multiplier:

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices or judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75% of the average financial compensation. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who choose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75% of AFC; pay higher contributions; stop contributing to the Judicial Retirement Account (JRA); and be given the option to increase the multiplier on past judicial service. Members who do not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, are required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established: be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new

PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There were 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Nonvested	51,005
Total	262,285

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates and Plan 2 employer and employee contribution rates, and Plan 3 employer contributions rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rates for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employees are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee’s age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007; a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of covered payrolls, as of December 31, 2011 were as follows:

Members Not Participating in JBM:

	PERS PLAN I	PERS PLAN II	PERS PLAN III
Employer (A)	7.25% (B)	7.25% (B)	7.25% (C)
Employee	6.00% (D)	4.64% (D)	Variable (E)

- A. The employer rates include the employer’s administrative expense fee currently set at 0.16%
- B. The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.
- C. Plan 3 benefit portion only.
- D. The employee rate for state elected officials is 7.5% for Plan 1 and 4.64% for Plan 2.
- E. Variable from 5.0% minimum to 15% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS 1	PERS 2	PERS 3
Employer – State Agency (A)	9.75%	9.75%	9.75% (B)
Employer – Local Gov't. (A)	7.25%	7.25%	7.25% (B)
Employee-State Agency	9.76%	9.10%	7.50% (C)
Employee-Local Gov't.	12.26%	11.60%	7.50% (C)

- A. The employer rates include the employer administrative expense fee currently at .16%.
- B. Plan 3 defined benefit portion only.
- C. Minimum rate.

Both the Town of Steilacoom and its employees made the required contributions. The Town's required contributions for the years end December 31 were:

YEAR	PERS PLAN I	PERS PLAN II	PERS PLAN III
2011	2,297	98,909	5,606
2010	4,406	85,578	43,879
2009	4,539	111,044	8,243
2008	7,580	115,442	6,987
2007	6,253	85,192	2,443
2006	3,139	39,725	1,215
2005	4,096	23,874	783
2004	4,000	16,017	204
2003	3,465	14,910	
2002	3,778	15,052	
2001	8,225	32,404	
2000	13,487	60,136	
1999	22,213	99,128	
1998	29,802	117,544	
1997	29,433	115,616	

Law Enforcement Officers' And Fire Fighter' Retirement System (LEOFF) Plans 1 and 2

Plan Description

The Legislature established LEOFF in 1970. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost sharing multiple employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriation.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible to retire with five years of service at age 50. The benefit per year of service calculated as a percent of final average salary is as follows:

TERM OF SERVICE	PERCENT OF FINAL AVERAGE
20 or more years	2.0%
10 but less than 20	1.5%
5 but less than 10	1.0%

The final average salary is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50% of the FAS, plus 5% of FAS for each eligible surviving child, with a limitation on the combined allowance of 60% of the FAS; or (2) If no eligible spouse, eligible children receive 30% of FAS for the first child plus 10% for each additional child, subject to a 60% limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50% of the FAS plus 5% for each child up to a maximum of 60%. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit may only be purchased at the time of retirement and may be used only to provide member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service or at 53 with 5 years of service, with an allowance of 2% of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If a member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit and a cost-of-living allowance is granted, (based on the Consumer Price Index), capped at three percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2% of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If a member has at least 20 years of service and is age 50, the reduction is 3% for each year prior to age 53. A catastrophic disability benefit equal to 70% of their FAS, subject to offsets for workers' compensation and Social Security disability benefits

received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150% of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10% of FAS and 2% per year of service beyond 5 years. The first 10% of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members may purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington State Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled To But Not Yet Receiving Bene	782
Active Plan Members Vested	13,420
Active Plan Members Nonvested	3,656
Total	27,505

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the

State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change in statute.

The required contribution rates expressed as a percentage of covered payrolls, as of December 31, 2010 were:

	<u>LEOFF PLAN I</u>	<u>LEOFF PLAN II</u>
Employer (A)	0.16%	5.24% (B)
Employee	0.00%	8.46%
State	N/A	3.38%

- A. The employer rates include the employer administrative expense fee currently set at 0.16%.
- B. The employer rate for ports and universities is 8.62%

Both the Town of Steilacoom and the employees made the required contributions. The Town's contribution requirement for the years ended in December 31, were:

<u>YEAR</u>	<u>LEOFF 1</u>	<u>LEOFF II</u>
2011	0	40,466
2010	0	55,121
2009	0	45,259
2008	0	44,452
2007	33	37,673
2006	135	26,742
2005	132	22,804
2004	144	20,457
2003	151	17,355
2002	148	14,258
2001	146	14,853
2000	1,894	14,957
1999	2,055	21,042
1998	3,505	29,802
1997	3,531	27,063
1996	3,451	23,471

Public Safety Employees' Retirement System (PSERS) Plan 2:

PSERS was created by the 2004 legislature and became effective July 1, 2006. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

The Town currently has no members and has never had a member in this system. Further information about the plan may be obtained from the Department of Retirement Systems.

NOTE VIII - DEFERRED COMPENSATION

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the International City/County Management Association. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or enforceable emergency.

The Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

Deferred compensation plan investments are not recorded in the Town's financial statements as GASB guidance has indicated this is not required.

NOTE IX - RISK MANAGEMENT

The Town of Steilacoom is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 150 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

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

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

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

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

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

NOTE X - SHORT-TERM DEBT

As of December 31, 2011 the Town has no external short-term debt not discussed in Note XI.

NOTE XI - LONG-TERM DEBT

The Town of Steilacoom has issued debt for constructing utility improvements. Debt currently outstanding was incurred for proprietary activities and is being repaid from the sewer utility.

Changes in long-term debt (bonds and loans and excluding compensated absences and other post-employment benefits (OPEB)) occurring in 2011 were as follows:

BEGINNING BALANCE	ADJUSTMENT	PRINCIPAL	INTEREST PAID	TOTAL PAYMENT	NEW DEBT	ENDING BALANCE
2,930,000		175,000	134,643	309,643		2,755,000

Changes in the governmental long-term debt for 2011 were as follows:

	BEGINNING BALANCE	NET CHANGE	ENDING BALANCE
Compensated Absences	81,169	(6,293)	74,876
OPEB	282,333	515	282,848
Subtotal	363,502	(5,778)	357,724

The "OPEB" liability amounts to the full accrual of the actuarial accrued liability for the LEOFF I medical benefit for the Town's one (1) LEOFF I retiree.

Changes in business-type activities long-term debt during 2011 were as follows:

	BEGINNING BALANCE	NET CHANGES	REDUCTIONS	ENDING BALANCE
Sewer Utility	2,930,000		175,000	2,755,000
Subtotal	2,930,000		175,000	2,755,000
Compensated Absences	35,395	278		35,673
Total	2,965,395	278	175,000	2,790,673

The following schedule of long-term debt provides a listing of the outstanding debt of the Town and summarizes the Town's projected debt principal payments for the years of 2012 through 2023.

YEAR	REVENUE	TOTAL	INTEREST	TOTAL
2012	180,000	180,000	127,905	307,905
2013	185,000	185,000	120,705	305,705
2014	195,000	195,000	113,120	308,120
2015	200,000	200,000	104,832	304,832
2016	210,000	210,000	96,132	306,132
2017	220,000	220,000	86,787	306,787
2018	230,000	230,000	76,777	306,777
2019	240,000	240,000	66,082	306,082
2020	255,000	255,000	54,202	309,202
2021	265,000	265,000	41,580	306,580
2022	280,000	280,000	28,462	308,462
2023	295,000	295,000	14,602	309,602
BALANCE	\$0			

The "Revenue" column represents bonded debt issued with variable interest rates. At December 31, 2011, the outstanding balances by issue and applicable interest rates are as follows:

Issue	Balance	Interest Rates
2003 Revenue	2,755,000	4.00% - 4.95%
Total:	2,755,000	

On December 31, 2011 the Town had \$581,184 in restricted assets in business-type activities as required by bond indentures.

The Town is in compliance with the provisions of all loan or bond covenants.

NOTE XII - CLAIMS AND JUDGMENTS

On December 31, 2011 the Town of Steilacoom had no material claims or judgments outstanding.

NOTE XIII - CONTINGENCIES AND LITIGATION

The Town of Steilacoom has recorded in its financial statements all material liabilities, including any estimates for situations which are not yet resolved but where, based on available information, management believes it is probable that the Town will have to make payment.

In the opinion of management, the Town's insurance policies and reserves are adequate to pay all known pending claims.

There are no other commitments of the Town that have not otherwise been included in the Financial Statement Notes.

NOTE XIV – RESTRICTED COMPONENTS OF NET POSITION

The government-wide Statement of Net Position reports \$1,835,324 of restricted component of net position, all of which is restricted by enabling legislation.

NOTE XV - INTERFUND TRANSACTIONS AND BALANCES

A. Classification of Interfund Transactions

1. Transactions that would be treated as revenue, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the Town.
2. Transfers to support the operations of other funds are recorded as "Transfers" and classified with "Other Financing Sources or Uses."
3. Contributions to the capital of enterprise or internal service funds, and transfers of remaining balances when funds are closed are classified as transfers.
4. Loans between funds are classified as loans receivable and payable or as advances to and from other funds on the combined balance sheet depending on the time period for which the loan was made. There were no loans or advances made among funds in 2011 nor were there any balances outstanding as of December 31, 2011.

During 2011, the Town of Steilacoom used a cost allocation system to collect and administer many of the costs associated with the utility funds through the General Fund. Payment for these transactions is treated as transfers-in to the General Fund and transfers out in the utility funds.

The following chart shows the indirect cost allocation transfers to the General Fund and other funds during 2011.

FUND	TRANSFER IN	TRANSFER OUT
General	\$520,692	
Electric		\$158,316
Water		154,380
Sewer		156,696
Storm		51,300
Total	\$520,692	\$520,692

Additionally, transfers were made from the General Fund to both the Electric Utility and the Water Utility to cover the operating costs of fire hydrants and street lights. These costs are accounted for in the respective utilities but have been deemed general governmental costs. The amounts of the transfers were:

FUND	TRANSFER IN	TRANSFER OUT
General		\$17,794
Electric	\$ 9,946	
Water	7,848	
Total	\$17,794	\$17,794

Also, during the Starling Street reconstruction project, costs were accounted for within the Capital Projects Fund. Those costs correctly allocable to the utilities were then reimbursed through transfers from the utilities to the CPF in the following amounts.

FUND	TRANSFER IN	TRANSFER OUT
CPF	\$116,262	
Electric		\$ 20,265
Water		46,159
Sewer		29,553
Storm		20,285
Total	\$116,262	\$116,262

NOTE XVI - SEGMENT INFORMATION

The Town of Steilacoom operated four utilities during 2011. These utilities were Electric, Water, Sewer, and Storm. Effective January 1, 1999, the Town contracted with our solid waste provider to perform all billing functions and related payments of State excise taxes.

Key financial data for the year ended December 31, 2011 is readily available in the financial statements due to each of these operations being treated as a major fund and is not repeated here.

NOTE XVII - JOINT VENTURES

On December 31, 2011, the Town of Steilacoom was not a participant in any type of joint ventures.

NOTE XIII – POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFIT

In addition to the pension benefits described in Note 7, the Town of Steilacoom provided post-retirement healthcare benefits to one retiree during 2011.

The Town, a single employer, is required to pay for the qualifying medical expenses for one (1) Public Safety Officer covered under the LEOFF 1 pension system. This officer retired effective March 31, 2007. No other Town employees receive this benefit and the LEOFF 1 system is a closed system at the State level so unless the Town hires an individual who is a member of that system, no additional employees will qualify for this benefit.

The Town used the alternative measurement method permitted under GASB Statement #45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2007 actuarial valuation reported issued by the Office of the State Actuary (OSA). Healthcare costs and trends are determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NCO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

In accordance with the actuarial study and assumptions, the following financial information is relevant:

	2011	2010	2009	2008	2007
Actuarial Accrued Liability	\$261,977	\$268,576	\$284,417	\$308,276	\$323,971
Annual Required Contribution	24,394	25,008	26,520	26,705	30,166
Annual OPEB Cost:	10,810	11,305	26,520	26,705	30,166
Net OPEB Obligation:	282,848	282,333	9,660	12,805	15,185

The Town booked the entire estimated actuarial accrued liability of \$282,848 at the entity-wide statement level. The Town, however, has not specifically set aside assets to pay for this liability. Each year, the Town pays for medical premiums, reimbursable medical costs, and the premiums for a long-term care insurance policy for this individual.

In 2011, the following medical expenses were incurred and paid for by the Town for the one qualifying individual:

Medical Insurance Premiums:	\$ 4,507
Reimbursed Medical Costs (prescriptions, etc)	3,398
Long-Term Care Premiums:	<u>2,390</u>
Total:	<u>\$10,295</u>

The Town is also a participating employer in the Association of Washington Cities Employee Benefit Trust (“Trust”), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of the participating employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. That report, along with a copy of the Trust document may be obtained by writing to the Trust at 1076 Franklin Street SE, Olympia, Washington 98501-1346 or by calling 1-800-562-8981.

Funding Policy. The Trust provides that contribution requirements of participating employers and of participating employees, retirees, and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the Town receiving medical benefits from the Trust chose a plan and contribute based upon that plan’s premiums. For the AWCV Healthfirst 1000 plan, the participant paid for 2011 \$375.55 per month for Medicare enrolled retiree-only coverage.

The AWC Trust’s retiree medical plans are available to former employees of the Trust member’s jurisdictions only. Additionally, the retiring employee must meet the retirement criteria established by the Board of Trustees, including age and years of service requirement of their pension program. Based on these facts, the AWC Trust’s contracted legal counsel (Stoel Rives) and actuary (Milliman) agreed that the Employee Benefit Trust qualifies as a Cost-Sharing Multiple-Employer Plan under GASB 43: A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards and costs, including benefit costs, are shared and are not attributed individually to the employers. The Town made all required contributions for the year. We believe the single actuarial valuation available from the Trust covers all plan members and no additional disclosure is required here.

NOTE XX – SUBSEQUENT EVENTS

There were no subsequent events, which would materially impact the financial statements requiring adjustment to the financial statements, as of December 31, 2011.

**TOWN OF STEILACOOM
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

The following information is Required Supplementary Information necessary to meet minimum financial reporting requirements.

PENSION SYSTEM TREND DATA

As disclosed in Note VII to the financial statements, the Town participates in the governmental retirement systems administered by the Department of Retirement Systems and does not administer its own pension plan. Information on the statewide plans may be obtained at:

Department of Retirement Systems
Administrative Services Division
PO Box 48380
Olympia, Washington 98504-8380

NONMAJOR FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose or revenues that the Town has chosen to account for separately.

Parks Enhancement Fund – The Parks Enhancement Fund accounts for revenues resulting from the 1/10 of 1% sales tax approved by voters countywide to provide resources for parks.

Community Center Fund – The Community Center Fund is used to account for private donations received to help support the community center programs and as a vehicle to account for pass-through payments for activities.

Controlled Substance Fund – The Controlled Substance Fund accounts for resources restricted for Public Safety drug investigations.

Land Acquisition Fund – The Land Acquisition Fund accounts for revenues received from the first ¼ of 1% real estate excise tax. Council has restricted these resources to the purchase of real estate within Steilacoom.

Enterprise Funds

Solid Waste Fund – The Solid Waste Fund is used to account for resources received from solid waste related activities. Effective January 1, 1999, the Town's solid waste provider began billing Town residents directly for the services so that activity no longer flows through this account. Revenues currently are largely from interest income or other miscellaneous charges. Payments made from the fund finance the Town's recycling program and other costs of operations.

Unemployment Compensation Fund - The Unemployment Compensation Fund accounts for charges received from the Washington State Employment Security Department for the Town's unemployment insurance liability. The Town does not participate in the State's unemployment insurance program and therefore does not pay the regular unemployment insurance tax but instead reimburses the State for individual claims filed/paid.

Revenues accounted for within this fund are derived from charges to the Town's operating funds based upon a percentage of gross payrolls and interest income.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town of Steilacoom provided post-retirement healthcare benefits to one retiree during 2011.

The Town, a single employer, is required to pay for the qualifying medical expenses for one (1) Public Safety Officer covered under the LEOFF 1 pension system. This officer retired effective March 31, 2007. No other Town employees receive this benefit and the LEOFF 1 system is a closed system at the State level so unless the Town hires an individual who is a member of that system, no additional employees will qualify for this benefit.

The Town used the alternative measurement method permitted under GASB Statement #45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the June 30, 2007 actuarial valuation reported issued by the Office of the State Actuary (OSA). Healthcare costs and trends are determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NCO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

In accordance with the actuarial study and assumptions, the following financial information is relevant:

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BUDGETARY COMPARISONS

Budgetary comparisons are included with the Financial Statements for the General Fund and each of the Special Revenue Funds to demonstrate compliance with legal requirements.

TOWN OF STELLACOOM
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2011

	GENERAL FUND	STREET FUND	CAPITAL PROJECTS FUND	SUBT OTHER GOVERNMENTAL FUNDS
<u>ASSETS AND OTHER DEBITS:</u>				
Cash/Investments	\$4,064,056			
Taxes Receivable	84,492	\$419,207	\$1,182,470	\$1,417,141
Accounts Receivable (net)	248,422			
TOTAL ASSETS:	\$4,396,970	\$419,207	\$1,182,470	\$1,417,141

<u>LIABILITIES AND OTHER CREDITS:</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts Payable	\$52,004			\$1,024
Deferred Revenue	207,905			
Deposits Payable	26,175			
Due To Other Governmental Units	109,554			
Net Current Liabilities:	\$395,638	\$0	\$0	\$1,024
TOTAL LIABILITIES:	\$395,638	\$0	\$0	\$1,024

<u>FUND BALANCE:</u>				
Nonspendable				
Restricted		\$419,207		\$1,416,117
Committed				
Debt Service			\$1,182,470	
Capital Projects				
Assigned				
Unassigned	\$4,001,332			
TOTAL FUND BALANCES:	\$4,001,332	\$419,207	\$1,182,470	\$1,416,117
TOTAL LIABILITIES & FUND BALANCES	\$4,396,970	\$419,207	\$1,182,470	\$1,417,141

The notes to the financial statements are an integral part of this statement.

TOWN OF STELLACOOM
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2011

	PARKS ENHANCEMENT FUND	COMMUNITY CENTER FUND	CONTROLLED SUBSTANCE FUND	LAND ACQUISITION FUND	TOTAL
<u>ASSETS AND OTHER DEBITS:</u>					
Cash/Investments	\$247,695		\$13,885	\$1,155,561	\$7,082,874
Taxes Receivable					84,492
Accounts Receivable (net)					248,422
TOTAL ASSETS:	<u>\$247,695</u>	<u>\$0</u>	<u>\$13,885</u>	<u>\$1,155,561</u>	<u>\$7,415,788</u>
<u>LIABILITIES AND OTHER CREDITS:</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable		\$1,024			\$53,028
Deferred Revenue					207,905
Deposits Payable					26,175
Due To Other Governmental Units					109,554
Net Current Liabilities:	<u>\$1,024</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$396,662</u>
TOTAL LIABILITIES:	<u>\$1,024</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$396,662</u>
<u>FUND BALANCE:</u>					
Nonspendable					
Restricted	\$246,671		\$13,885	\$1,155,561	\$1,835,324
Committed					
Debt Service					
Capital Projects					1,182,470
Assigned					
Unassigned					4,001,332
TOTAL FUND BALANCES:	<u>\$246,671</u>	<u>\$0</u>	<u>\$13,885</u>	<u>\$1,155,561</u>	<u>\$7,019,126</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$247,695</u>	<u>\$0</u>	<u>\$13,885</u>	<u>\$1,155,561</u>	<u>\$7,415,788</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF STEILACOOM
 COMBINING STATEMENT OF NET POSITION
 NON-MAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2011

	SOLID WASTE	UNEMPLOYMENT COMPENSATION	OTHER PROPRIETARY FUNDS
<u>ASSETS AND OTHER DEBITS:</u>			
<u>CURRENT ASSETS:</u>			
Cash/Investments		\$29,769	\$29,769
Net Current Assets:	\$0	\$29,769	\$29,769
TOTAL ASSETS:	\$0	\$29,769	\$29,769
 <u>LIABILITIES:</u>			
<u>CURRENT LIABILITIES:</u>			
Accounts Payable		\$2,281	\$2,281
Total Current Liabilities:	\$0	\$2,281	\$2,281
TOTAL LIABILITIES:	\$0	\$2,281	\$2,281
 <u>NET ASSETS:</u>			
Invested In Capital Assets, Net of Related Debt			
Restricted			
Unrestricted		\$27,488	\$27,488
TOTAL NET POSITION:	\$0	\$27,488	\$27,488

The notes to the financial statements are an integral part of this statement.

TOWN OF STEILACOOM
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>PARKS ENHANCEMENT FUND</u>	<u>COMMUNITY CENTER FUND</u>	<u>CONTROLLED SUBSTANCE FUND</u>	<u>LAND ACQUISITION FUND</u>	<u>TOTAL OTHER GOV'T FUNDS</u>
REVENUES					
Taxes:					
Property					
Sales and Use	\$42,716				\$42,716
Other				\$44,254	\$44,254
Interest Income	1,246	\$7	\$71	5,861	7,185
Miscellaneous	600	425			1,025
					0
TOTAL REVENUES:	<u>\$44,562</u>	<u>\$432</u>	<u>\$71</u>	<u>\$50,115</u>	<u>\$95,180</u>
EXPENDITURES					
Current:					
General Governmental					
Public Safety					
Transportation					
Economic And Physical Development					
Culture and Recreation	\$19,580	\$9,638			\$29,218
Debt Service:					
Principal					
Interest					
Capital Outlay:					
Streets					
Parks					
Other					
TOTAL EXPENDITURES:	<u>\$19,580</u>	<u>\$9,638</u>	<u>\$0</u>	<u>\$0</u>	<u>\$29,218</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>\$24,982</u>	<u>(\$9,206)</u>	<u>\$71</u>	<u>\$50,115</u>	<u>\$65,962</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					
Transfers Out					
Agency Inflows					
Agency Payments					
TOTAL OTHER FINANCING SOURCES AND USES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
NET CHANGE IN FUND BALANCE:	\$24,982	(\$9,206)	\$71	\$50,115	\$65,962
Fund Balance - Beginning of Year	221,689	9,206	13,814	1,105,446	1,350,155
Fund Balance - End of Year	<u>\$246,671</u>	<u>\$0</u>	<u>\$13,885</u>	<u>\$1,155,561</u>	<u>\$1,416,117</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>SOLID WASTE FUND</u>	<u>UNEMPLOYMENT FUND</u>	<u>TOTAL OTHER PROPRIETARY FUNDS</u>
Operating Revenues			
Charges For Sales And Services			
Electric Sales and Services			
Water Sales and Services			
Sewer Sales and Services			
Storm Drain Sales and Services			
Solid Waste Sales and Services	\$4,130		\$4,130
Other Sales and Services		\$32,159	32,159
Total Operating Revenue	<u>\$4,130</u>	<u>\$32,159</u>	<u>\$36,289</u>
Operating Expenses			
Cost of Sales and Services	\$6,846	\$36,256	\$43,102
Depreciation			
Total Operating Expenses	<u>\$6,846</u>	<u>\$36,256</u>	<u>\$43,102</u>
Operating Income	<u>(\$2,716)</u>	<u>(\$4,097)</u>	<u>(\$6,813)</u>
Nonoperating Revenues and Expenses			
Investment Earnings	\$212	\$156	\$368
Interest Expense			
Debt Service Fees			
Total Nonoperating Revenues and Expenses	<u>\$212</u>	<u>\$156</u>	<u>\$368</u>
Income Before Contributions and Transfers	<u>(\$2,504)</u>	<u>(\$3,941)</u>	<u>\$0</u> <u>(\$6,445)</u>
Capital Contributions			
Developers/Others			
Transfers In			
Governmental Funds			
Proprietary Funds			
Transfers Out			
Governmental Funds			
Proprietary Funds			
Total Capital Contributions and Transfers	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Change In Net Assets:	<u>(\$2,504)</u>	<u>(\$3,941)</u>	<u>(\$6,445)</u>
Total Net Assets - Beginning	<u>\$2,504</u>	<u>\$31,429</u>	<u>\$33,933</u>
Total Net Assets - Ending	<u>\$0</u>	<u>\$27,488</u>	<u>\$27,488</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF STEILACOOM
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR FUNDS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	SOLID WASTE FUND	UNEMPLOYMENT FUND	TOTAL OTHER PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$4,130		\$4,130
Receipts from interfund services provided			
Payments to suppliers	(6,846)	(\$37,395)	(44,241)
Payments for employee wages/benefits	(902)		(902)
Payments for interfund services used		32,159	32,159
Net cash provided by operating activities	<u>(\$3,618)</u>	<u>(\$5,236)</u>	<u>(\$8,854)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds			
Governmental Funds			
Proprietary Funds			
Transfers from other funds			
Governmental Funds			
Proprietary Funds			
Other Noncapital Financing Activities			
Net cash provided (used) by noncapital financing activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt			
Capital contributions			
Developers/Others			
Transfers to other funds			
Governmental Funds			
Proprietary Funds			
Transfers from other funds			
Governmental Funds			
Proprietary Funds			
Purchase of capital assets			
Principal paid on capital debt			
Interest paid on capital debt			
Proceeds from sale of capital assets			
Net cash provided (used) by capital and related financing activities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	\$212	\$156	\$368
Net cash provided (used) by investing activities	<u>\$212</u>	<u>\$156</u>	<u>\$368</u>
Net increase in cash and cash equivalents	<u>(\$3,406)</u>	<u>(\$5,080)</u>	<u>(\$8,486)</u>
Cash and equivalents - January 1	\$3,406	\$34,849	\$38,255
Cash and equivalents - December 31	<u>\$0</u>	<u>\$29,769</u>	<u>\$29,769</u>

TOWN OF STEILACOOM
 COMBINING STATEMENT OF CASH FLOWS - NONMAJOR FUNDS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	SOLID WASTE FUND	UNEMPLOYMENT FUND	TOTAL OTHER PROPRIETARY FUNDS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income	(\$2,716)	(\$4,097)	(\$6,813)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense			
(Increase) decrease in accounts receivable			
(Increase) decrease in inventories			
Increase (decrease) in customer deposits			
Increase (decrease) in accounts payable		(\$1,139)	(\$1,139)
Increase (decrease) in intergovernmental payable			
Increase (decrease) in compensated absences	(\$902)		(902)
Total adjustments	(\$902)	(\$1,139)	(\$2,041)
Net cash provided by operating activities	(\$3,618)	(\$5,236)	(\$8,854)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Contributions of capital assets	\$0	\$0	\$0

The notes to the financial statements are an integral part of this statement.