



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Town of Steilacoom

Pierce County

For the period January 1, 2013 through December 31, 2014

Published January 11, 2016

Report No. 1015811





Washington State Auditor's Office

January 11, 2016

Mayor and Town Council
Town of Steilacoom
Steilacoom, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Town of Steilacoom
Pierce County
January 1, 2013 through December 31, 2014**

Mayor and Town Council
Town of Steilacoom
Steilacoom, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Steilacoom, Pierce County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 9, 2015. As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the Town implemented Governmental Accounting Standards Board *Statement No. 65, Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented,

or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized "X" between the first and last names.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 9, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Town of Steilacoom Pierce County January 1, 2013 through December 31, 2014

Mayor and Town Council
Town of Steilacoom
Steilacoom, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Steilacoom, Pierce County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed on page 10 through 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Steilacoom, as of December 31, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 29 and information on postemployment benefits other than pensions on pages 110 through 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards

generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 9, 2015

FINANCIAL SECTION

**Town of Steilacoom
Pierce County
January 1, 2013 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014
Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014
Statement of Net Position – 2013
Statement of Activities – 2014
Statement of Activities – 2013
Balance Sheet – Governmental Funds – 2014
Balance Sheet – Governmental Funds – 2013
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2013
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
2014
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
2013
Statement of Net Position – Proprietary Funds – 2014
Statement of Net Position – Proprietary Funds – 2013
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2014
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2013
Statement of Cash Flows – Proprietary Funds – 2014
Statement of Cash Flows – Proprietary Funds – 2013
Statement of Net Position – Fiduciary Funds – 2014
Statement of Net Position – Fiduciary Funds – 2013
Notes to Financial Statements – 2014
Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Information on Postemployment Benefits Other Than Pensions – 2014

Information on Postemployment Benefits Other Than Pensions – 2013

TOWN OF STEILACOOM MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$46,426,225 (*net position*). Of the total amount, \$11,350,361 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net position increased by \$1,920,620 of which \$1,297,949 in governmental activities and \$622,671 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 \$7,491,953, an increase of \$139,145 in comparison with the prior year. Approximately \$3,782,084 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. It also reflects major investments in infrastructure in 2014 which are not reflected in the governmental statements but are reflected in the entity-wide statements.
4. At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,782,084 or approximately 81% of the total general fund non-capital, ongoing expenditures.
5. The Town of Steilacoom has no external debt excluding the Other Post-Employment Retiree Benefit (OPEB) obligations due to the one LEOFF 1 retiree.

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 four 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 and Capital Projects Fund, all of which are considered to be major funds. Data from the other two 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, Parks Enhancement 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, 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, 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 one fiduciary fund to account for customers' utility deposits. This fund is presented 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 \$46,426,225 at the close of the most recent fiscal year.

By far, the largest portion of the Town of Steilacoom's net position (67% - \$31,202,798 of \$46,426,225) reflects its investment in capital assets (e.g. land, buildings, machinery, operating plant in service, and infrastructure). 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 of which it should be noted there was none as of December 31, 2014, it should be noted that the resources that would be needed if debt existed to repay this debt would be provided from other sources, since capital assets themselves could not be used to liquidate these liabilities.

TOWN OF STEILACOOM – NET POSITION

	GOV'T ACTIVITIES	BUSINESS ACTIVITIES	2014 TOTAL	2013 TOTAL
Current Assets	\$ 8,434,738	\$ 7,321,729	\$ 15,756,467	\$16,033,372
Restricted Assets		163,197	163,197	162,275
Capital Assets	15,598,627	15,604,171	31,202,798	29,225,191
Total Assets	\$ 24,033,365	\$23,089,097	\$ 47,122,462	\$45,420,838
Current Liabilities	\$ 81,368	\$ 208,611	\$ 289,979	\$ 529,427
Long-Term Liabilities	368,063	38,195	406,258	385,806
Total Liabilities	\$ 449,431	\$ 246,806	\$ 696,237	\$915,233
Deferred Inflows of Resources				
Net Assets				
Invested in Capital Net of Related Debt	\$15,598,627	\$15,604,171	\$31,202,798	\$29,225,191
Restricted	3,709,869	163,197	3,873,066	2,785,386
Unrestricted	4,275,438	7,074,923	11,350,361	12,495,028
Total Net Position	\$23,583,934	\$ 22,842,291	\$46,426,225	\$44,505,605

An additional portion of the Town of Steilacoom’s net position (8.3% - \$3,873,066 of the \$46,426,225) represents resources that are subject to external and internal restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$11,350,361) 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 \$1,297,949 and business-type activities increased net position by \$622,671 for a total increase of \$1,920,620. 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. Additionally, the Town was very successful in obtaining third-party grant funding for infrastructure improvements.

TOWN OF STEILACOOM’S CHANGES IN NET POSITION

	GOVT'L ACTIVITIES	BUSINESS ACTIVITIES	2014 TOTAL	2013 TOTAL
Revenues				
Program Revenues				
Charges for Services	\$ 796,306	\$ 7,207,693	\$ 8,003,999	\$8,249,893
Operating Grants and Contributions	187,665		187,665	91,903
Capital Grants and Contributions	1,577,894	1,438,466	3,016,360	1,391,312
General Revenues				
Property Taxes	2,093,028		2,093,028	2,044,739
Other Taxes	1,516,765		1,516,765	1,467,490
Other Revenues	66,870	45,220	112,090	43,854
Total Revenues	\$6,238,528	\$ 8,691,379	\$14,929,907	\$13,289,191
Expenses				
General Government	\$ 1,472,637		\$ 1,472,637	\$1,548,682
Public Safety	2,243,821		2,243,821	2,127,969
Streets	2,596,999		2,596,999	1,751,169
Economic Development	192,060		192,060	186,323
Culture and Recreation	355,530		355,530	345,214
Interest on Debt				
Electric Utility		\$ 2,712,211	2,712,211	2,847,935
Water Utility		774,195	774,195	720,733
Sewer Utility		2,372,066	2,372,066	2,415,438
Storm Drain Utility		289,768	289,768	427,661
Other				21,132
Total Expenses	\$ 6,861,047	\$ 6,148,240	\$13,009,287	\$12,392,256
Increase in Net Assets Before Transfers	\$ (622,519)	\$ 2,543,139	\$ 1,920,620	\$ 896,935
Transfers	1,920,468	(1,920,468)	0	0
Net Position – January 1	\$22,285,985	\$22,219,620	\$44,505,605	\$43,608,670
Net Position – Dec. 31	\$23,583,934	\$ 22,842,291	\$46,426,225	\$44,505,605

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, *unassigned 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 \$7,491,953, an increase of \$139,145 from the prior year. The principal reason for this increase is the conservative nature of Town officials in projecting revenues which came in better than anticipated and careful control of expenditures. Of the \$7,491,953, approximately \$3,782,084 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The

remainder of the fund balance is either restricted or assigned indicating that external or internal limitations have been placed on the use of those funds and they are not available for general purposes (\$3,709,869).

The General Fund is the chief operating fund of the Town of Steilacoom. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,782,084, which represents 100% of the general fund total fund balance and approximately 81% of total expenditures excluding internal transfers for the current fiscal year.

The Town of Steilacoom's General Fund balance decreased by approximately \$947,613 reflecting management's decision to transfer \$1,000,000 to the Capital Projects Fund to be used for road and other infrastructure construction.

The Capital Projects fund has an ending fund balance of \$3,356,598 reflecting an increase of \$1,042,237 for the year. This increase was due primarily to the transfer of \$1,000,000 from the General Fund to be used for road and other infrastructure construction.

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 2014 of \$4,145,600 was not increased during the year. The actual total revenue received was \$4,231,061 or a difference of \$85,461. The difference was primarily due to construction related revenue being stronger than anticipated and intergovernmental awards being received which had not been included in the initial budget.

The original General Fund Expenditure and Other Uses spending plan/budget for 2014 of \$4,687,503 was increased by \$1,000,000 during the year to reflect Council's action to transfer funds to the Capital Projects Fund. Actual expenditures of \$5,693,786 were \$6,283 greater than budgeted.

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, 2014, amounts to \$31,202,798 (net of accumulated depreciation). The capital asset investment net of related debt as of December 31, 2014 was also \$31,202,798 reflecting the fact that the Town has no outstanding debt related to

capital assets. 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 Lexington/Sequalish Street Reconstruction projects.
2. Capitalization of the Lafayette Street overlay.
3. Capitalization of the Martin Street reconstruction engineering.
4. Capitalization and/or removal of the various pieces of equipment acquired or disposed of during the year
5. Capitalization of the Harlock Place Park property.
6. Capitalization of a new siding on the Administration Building.
7. Capitalization of replacement of utility-related infrastructure.

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 no outstanding debt excluding compensated absences and other post-employment benefits (OPEB). 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 \$16,679,996 with outstanding general obligation indebtedness of \$0, cash in the Debt Service Fund of \$0, leaving a margin of \$16,679,996.

ECONOMIC FACTORS AND THE 2013-2014 BIENNIUM BUDGET:

The Town took into account the following factors when preparing the 2013-2014 Biennium Budget:

1. The national and statewide economies continue experiencing a slow economic recovery.
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 MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$44,505,605 (*net position*). Of the total amount, \$12,495,028 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net position increased by \$896,935 of which \$477,170 in governmental activities and \$419,765 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 \$7,352,808, an increase of \$481,738 in comparison with the prior year. Approximately \$4,729,697 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. It also reflects major investments in infrastructure in 2013 which are not reflected in the governmental statements but are reflected in the entity-wide statements.
4. At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,729,697 or approximately 109% 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 from \$2,575,000 to \$0 during the current fiscal year due to Town officials calling the last outstanding debt issue.

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 four 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 and Capital Projects Fund, all of which are considered to be major funds. Data from the other two 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, Parks Enhancement 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, 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, 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 employees' 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 \$44,505,605 at the close of the most recent fiscal year.

By far, the largest portion of the Town of Steilacoom's net position (66% - \$29,225,191 of \$44,505,605) 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 of which there was none as of December 31, 2013. 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 were provided from other sources, since capital assets themselves could not be used to liquidate these liabilities.

TOWN OF STEILACOOM – NET POSITION

	GOV'T ACTIVITIES	BUSINESS ACTIVITIES	2013 TOTAL	2012 TOTAL
Current Assets	\$ 8,327,940	\$ 7,705,432	\$ 16,033,372	\$18,164,314
Restricted Assets		162,275	162,275	744,491
Capital Assets	14,473,032	14,752,159	29,225,191	28,259,499
Total Assets	\$ 22,800,972	\$22,619,866	\$ 45,420,838	\$47,168,304
Current Liabilities	\$ 160,940	\$ 368,487	\$ 529,427	\$ 774,958
Long-Term Liabilities	354,047	31,759	385,806	2,784,676
Total Liabilities	\$ 514,987	\$ 400,246	\$ 915,233	\$3,559,634
Deferred Inflows of Resources				
Net Assets				
Invested in Capital Net of Related Debt	\$14,473,032	\$14,752,159	\$29,225,191	\$25,684,499
Restricted	2,623,111	162,275	2,785,386	3,263,704
Unrestricted	5,189,842	7,305,186	12,495,028	14,660,467
Total Net Position	\$22,285,985	\$ 22,219,620	\$44,505,605	\$43,608,670

An additional portion of the Town of Steilacoom’s net position (6.3% - \$2,785,386 of the \$44,505,605) represents resources that are subject to external and internal restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12,495,028) 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 \$477,170 and business-type activities increased net position by \$419,765 for a total increase of \$896,935. 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. Additionally, the Town was very successful in obtaining third-party grant funding for infrastructure improvements.

TOWN OF STEILACOOM’S CHANGES IN NET POSITION

	GOVT'L ACTIVITIES	BUSINESS ACTIVITIES	2013 TOTAL	2012 TOTAL
Revenues				
Program Revenues				
Charges for Services	\$ 963,104	\$ 7,286,789	\$ 8,249,893	\$8,027,371
Operating Grants and Contributions	91,903		91,903	161,416
Capital Grants and Contributions	566,577	824,735	1,391,312	3,545,643
General Revenues				
Property Taxes	2,044,739		2,044,739	2,158,215
Other Taxes	1,467,490		1,467,490	1,296,536
Other Revenues	24,027	19,827	43,854	64,735
Total Revenues	\$5,157,840	\$ 8,131,351	\$13,289,191	\$15,253,916
Expenses				
General Government	\$ 1,548,682		\$ 1,548,682	\$1,799,992
Public Safety	2,127,969		2,127,969	2,271,074
Streets	1,751,169		1,751,169	2,339,746
Economic Development	186,323		186,323	181,306
Culture and Recreation	345,214		345,214	336,685
Interest on Debt				
Electric Utility		\$ 2,847,935	2,847,935	2,647,015
Water Utility		720,733	720,733	709,053
Sewer Utility		2,415,438	2,415,438	2,311,150
Storm Drain Utility		427,661	427,661	302,119
Other		21,132	21,132	14,566
Total Expenses	\$ 5,959,357	\$ 6,432,899	\$12,392,256	\$12,912,706
Increase in Net Assets Before Transfers	\$ (801,517)	\$ 1,698,452	\$ 896,935	\$ 2,341,210
Transfers	1,278,687	(1,278,687)	0	0
Net Position – January 1	\$21,808,815	\$21,799,855	\$43,608,670	\$41,267,460
Net Position – Dec. 31	\$22,285,985	\$ 22,219,620	\$44,505,605	\$43,608,670

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, *unassigned 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 \$7,352,808, an increase of \$481,730 from the prior year. The principal reason for this increase is the conservative nature of Town officials in projecting revenues which came in better than anticipated and careful control of expenditures. Of the \$7,352,808, approximately \$4,729,697 constitutes *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 (\$2,623,111).

The General Fund is the chief operating fund of the Town of Steilacoom. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,729,697, which represents 100% of the general fund total fund balance and approximately 109% of total expenditures for the current fiscal year.

The Town of Steilacoom's General Fund balance increased by approximately \$377,840 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 Capital Projects fund has an ending fund balance of \$2,314,361 reflecting an increase of \$69,516 for the year. This increase was due primarily to REET revenues being higher than anticipated..

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 2013 of \$4,619,644 was not increased during the year. The actual total revenue received was \$4,726,740 or a difference of \$107,096. The difference was primarily due to construction related revenue being stronger than anticipated.

The original General Fund Expenditure and Other Uses spending plan/budget for 2013 of \$4,581,916 was not increased during the year. Actual expenditures of \$4,348,900 were \$233,016 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, 2013, amounts to \$29,225,191 (net of accumulated depreciation). The capital asset investment net of related debt as of December 31, 2013 was also \$29,225,191 reflecting the fact that the Town has no outstanding debt related to capital assets. 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 Lexington/Sequalish Street Reconstruction projects.
2. Capitalization of the Lafayette Street overlay phase 1 engineering.
3. Capitalization of the Main Street overlay project.
4. Capitalization of the various pieces of equipment and removal of the remaining fire and medical aid equipment. The fire and medical aid equipment was removed due to the Town contracting with West Pierce Fire and Rescue for fire and medical aid services.
5. Capitalization of the Cherrydale Woods property.
6. Capitalization of a new roof on the Public Works Building.
7. Capitalization of replacement of utility-related infrastructure.

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 no outstanding debt excluding compensated absences and other post-employment benefits (OPEB). 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 \$15,288,929 with outstanding general obligation indebtedness of \$0, cash in the Debt Service Fund of \$0, leaving a margin of \$15,288,929.

ECONOMIC FACTORS AND THE 2013-2014 BIENNIUM BUDGET:

The Town took into account the following factors when preparing the 2013-2014 Biennium Budget:

1. The national and statewide economies continue experiencing a slow economic recovery.
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, 2014

	<u>PRIMARY GOVERNMENT</u>		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<u>ASSETS AND OTHER DEBITS:</u>			
<u>CURRENT ASSETS:</u>			
Cash and Cash Equivalents	\$1,917,889	\$200	\$1,918,089
Investments	6,115,478	6,637,046	12,752,524
Taxes Receivable	83,188		83,188
Accounts Receivable (net)	318,183	684,483	1,002,666
Net Current Assets:	<u>\$8,434,738</u>	<u>\$7,321,729</u>	<u>\$15,756,467</u>
<u>RESTRICTED ASSETS:</u>			
Restricted Cash/Investments		\$163,197	\$163,197
Net Restricted Assets:	<u>\$0</u>	<u>\$163,197</u>	<u>\$163,197</u>
<u>CAPITAL ASSETS:</u>			
Land	\$4,886,195		\$4,886,195
Buildings	5,939,280	\$72,350	6,011,630
Accumulated Depreciation	(4,539,833)	(72,350)	(4,612,183)
Equipment	891,475	1,356,740	2,248,215
Accumulated Depreciation	(612,269)	(1,073,974)	(1,686,243)
Operating Plant In Service		25,823,851	25,823,851
Accumulated Depreciation		(10,502,446)	(10,502,446)
Infrastructure	17,657,443		17,657,443
Accumulated Depreciation	(8,623,664)		(8,623,664)
Net Capital Assets:	<u>\$15,598,627</u>	<u>\$15,604,171</u>	<u>\$31,202,798</u>
TOTAL ASSETS:	<u>\$24,033,365</u>	<u>\$23,089,097</u>	<u>\$47,122,462</u>
<u>LIABILITIES:</u>			
<u>CURRENT LIABILITIES:</u>			
Accounts Payable	\$45,577	\$195,878	\$241,455
Deposits	9,350		9,350
Due To Other Governmental Units	24,981		24,981
Compensated Absences	1,460	12,733	14,193
Total Current Liabilities:	<u>\$81,368</u>	<u>\$208,611</u>	<u>\$289,979</u>
<u>NON-CURRENT LIABILITIES:</u>			
Compensated Absences	\$90,096	\$38,195	\$128,291
Other Post-Employment Benefits	277,967		277,967
Total Noncurrent Liabilities:	<u>\$368,063</u>	<u>\$38,195</u>	<u>\$406,258</u>
TOTAL LIABILITIES:	<u>\$449,431</u>	<u>\$246,806</u>	<u>\$696,237</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Property Taxes and Court Fines:			\$0
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>NET POSITION:</u>			
Invested In Capital Assets, Net of Related Debt	\$15,598,627	\$15,604,171	\$31,202,798
Restricted For:			
Capital Projects	3,356,598	163,197	3,519,795
Culture and Recreation	334,819		334,819
Public Safety	15,452		15,452
Unrestricted	4,275,438	7,074,923	11,350,361
TOTAL NET POSITION:	<u>\$23,583,934</u>	<u>\$22,842,291</u>	<u>\$46,426,225</u>

TOWN OF STEILACOOM
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	<u>PRIMARY GOVERNMENT</u>		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<u>ASSETS AND OTHER DEBITS:</u>			
<u>CURRENT ASSETS:</u>			
Cash and Cash Equivalents	\$457,946	\$4,689,720	\$5,147,666
Investments	7,360,699	2,314,139	9,674,838
Taxes Receivable	55,005		55,005
Accounts Receivable (net)	454,290	668,834	1,123,124
Inventories		32,739	32,739
Net Current Assets:	<u>\$8,327,940</u>	<u>\$7,705,432</u>	<u>\$16,033,372</u>
<u>RESTRICTED ASSETS:</u>			
Restricted Cash/Investments		\$162,275	\$162,275
Net Restricted Assets:	<u>\$0</u>	<u>\$162,275</u>	<u>\$162,275</u>
<u>CAPITAL ASSETS:</u>			
Land	\$4,847,195		\$4,847,195
Buildings	5,833,665	\$72,350	5,906,015
Accumulated Depreciation	(4,356,694)	(72,350)	(4,429,044)
Equipment	822,229	1,381,663	2,203,892
Accumulated Depreciation	(559,560)	(1,065,105)	(1,624,665)
Operating Plant In Service		24,301,472	24,301,472
Accumulated Depreciation		(9,865,871)	(9,865,871)
Infrastructure	15,797,224		15,797,224
Accumulated Depreciation	(7,911,027)		(7,911,027)
Net Capital Assets:	<u>\$14,473,032</u>	<u>\$14,752,159</u>	<u>\$29,225,191</u>
TOTAL ASSETS:	<u>\$22,800,972</u>	<u>\$22,619,866</u>	<u>\$45,420,838</u>
<u>LIABILITIES:</u>			
<u>CURRENT LIABILITIES:</u>			
Accounts Payable	\$33,218	\$348,062	\$381,280
Deposits	17,400		17,400
Due To Other Governmental Units	109,058	9,837	118,895
Compensated Absences	1,264	10,588	11,852
Total Current Liabilities:	<u>\$160,940</u>	<u>\$368,487</u>	<u>\$529,427</u>
<u>NON-CURRENT LIABILITIES:</u>			
Compensated Absences	\$72,580	\$31,759	\$104,339
Other Post-Employment Benefits	281,467		281,467
Total Noncurrent Liabilities:	<u>\$354,047</u>	<u>\$31,759</u>	<u>\$385,806</u>
TOTAL LIABILITIES:	<u>\$514,987</u>	<u>\$400,246</u>	<u>\$915,233</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Property Taxes and Court Fines:			\$0
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

NET POSITION:

Invested In Capital Assets, Net of Related Debt	\$14,473,032	\$14,752,159	\$29,225,191
Restricted For:			
Capital Projects	2,314,361	162,275	2,476,636
Culture and Recreation	293,377		293,377
Public Safety	15,373		15,373
Unrestricted	5,189,842	7,305,186	12,495,028
TOTAL NET POSITION:	<u>\$22,285,985</u>	<u>\$22,219,620</u>	<u>\$44,505,605</u>

TOWN OF STEILACOOM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUES AND CHANGE IN NET POSITION		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Contributions	PRIMARY GOVERNMENT		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities:							
General Government	\$1,472,637	\$461,900	\$65,951	\$98,635	(\$846,151)		(\$846,151)
Public Safety	2,243,821	-83,038	8,422		-2,318,437		-2,318,437
Streets	2,596,999	108,442		\$1,440,259	-1,048,298		-1,048,298
Economic Development	192,060	137,660	105,292		50,892		50,892
Culture and Recreation	355,530	171,342	8,000	\$39,000	-137,188		-137,188
Total Governmental Activities:	<u>\$6,861,047</u>	<u>\$796,306</u>	<u>\$187,665</u>	<u>\$1,577,894</u>	<u>(\$4,299,182)</u>	<u>\$0</u>	<u>(\$4,299,182)</u>
Business-Type Activities:							
Electric	\$2,712,211	\$2,716,824		\$326,599		\$331,212	\$331,212
Water	774,195	1,037,740		346,914		610,459	610,459
Sewer	2,372,066	2,957,627		357,371		942,932	942,932
Storm	289,768	495,502		407,582		613,316	613,316
Total Business-Type Activities:	<u>\$6,148,240</u>	<u>\$7,207,693</u>	<u>\$0</u>	<u>\$1,438,466</u>	<u>\$0</u>	<u>\$2,497,919</u>	<u>\$2,497,919</u>
Total Primary Government:	<u>\$13,009,287</u>	<u>\$8,003,999</u>	<u>\$187,665</u>	<u>\$3,016,360</u>	<u>(\$4,299,182)</u>	<u>\$2,497,919</u>	<u>(\$1,801,263)</u>
General Revenues:							
Property Taxes					\$2,093,028		\$2,093,028
Sales Taxes					338,268		338,268
Franchise Fees					819,815		819,815
Other Taxes					358,682		358,682
Investment Earnings					66,870	\$45,220	112,090
Transfers:					1,920,468	-1,920,468	0
Total General Revenues and Transfers					<u>\$5,597,131</u>	<u>(\$1,875,248)</u>	<u>\$3,721,883</u>
Change In Net Position					<u>\$1,297,949</u>	<u>\$622,671</u>	<u>\$1,920,620</u>
Net Position - January 1, 2014					<u>\$22,285,985</u>	<u>\$22,219,620</u>	<u>\$44,505,605</u>
Net Position - December 31, 2014					<u>\$23,583,934</u>	<u>\$22,842,291</u>	<u>\$46,426,225</u>

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

**TOWN OF STEILACOOM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

PROGRAM REVENUES

Functions/Programs	Expenses	Charges For Services
Primary Government		
Governmental Activities:		
General Government	\$1,548,682	\$533,008
Public Safety	2,127,969	58,115
Streets	1,751,169	
Economic Development	186,323	193,173
Culture and Recreation	345,214	178,808
Total Governmental Activities:	<u>\$5,959,357</u>	<u>\$963,104</u>
Business-Type Activities:		
Electric	\$2,847,935	\$2,800,522
Water	720,733	988,245
Sewer	2,415,438	2,875,988
Storm	427,661	622,034
Other Proprietary Funds	21,132	
Total Business-Type Activities:	<u>\$6,432,899</u>	<u>\$7,286,789</u>
Total Primary Government:	<u>\$12,392,256</u>	<u>\$8,249,893</u>

General Revenues:

Property Taxes
Sales Taxes
Franchise Fees
Other Taxes
Investment Earnings

Transfers:

Total General Revenues and Transfers
Change In Net Position

Net Position - January 1, 2014
Net Position - December 31, 2014

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

**NET (EXPENSE) REVENUES AND CHANGE
IN NET POSITION
PRIMARY GOVERNMENT**

Operating Grants and Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total
\$70,211	\$93,177	(\$852,286)		(\$852,286)
11,132		(\$2,058,722)		(\$2,058,722)
	\$473,400	(\$1,277,769)		(\$1,277,769)
10,300		\$17,150		\$17,150
260		(\$166,146)		(\$166,146)
<u>\$91,903</u>	<u>\$566,577</u>	<u>(\$4,337,773)</u>	<u>\$0</u>	<u>(\$4,337,773)</u>
	\$153,766		106,353	106,353
	264,358		531,870	531,870
	240,910		701,460	701,460
	165,701		360,074	360,074
			(21,132)	(21,132)
<u>\$0</u>	<u>\$824,735</u>	<u>\$0</u>	<u>\$1,678,625</u>	<u>\$1,678,625</u>
<u>\$91,903</u>	<u>\$1,391,312</u>	<u>(\$4,337,773)</u>	<u>\$1,678,625</u>	<u>(\$2,659,148)</u>
		\$2,044,739		\$2,044,739
		318,103		318,103
		806,245		806,245
		343,142		343,142
		24,027	\$19,827	43,854
		1,278,687	(1,278,687)	0
		<u>\$4,814,943</u>	<u>(\$1,258,860)</u>	<u>\$3,556,083</u>
		<u>\$477,170</u>	<u>\$419,765</u>	<u>\$896,935</u>
		<u>\$21,808,815</u>	<u>\$21,799,855</u>	<u>\$43,608,670</u>
		<u>\$22,285,985</u>	<u>\$22,219,620</u>	<u>\$44,505,605</u>

TOWN OF STEILACOOM
BALANCE SHEET
GOVERNMENTAL FUNDS - COMBINED
DECEMBER 31, 2014

	<u>GENERAL FUND</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>	
Cash and Cash Equivalents	\$1,902,437
Investments	1,897,141
Taxes Receivable	83,188
Accounts Receivable (net)	108,183
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	\$3,990,949
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>	
LIABILITIES:	
Accounts Payable	\$37,262
Deposits Payable	9,350
Due To Other Governmental Units	24,981
TOTAL LIABILITIES:	\$71,593
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes and Court Fines	\$137,272
TOTAL DEFERRED INFLOWS OF RESOURCES:	\$137,272
FUND BALANCES:	
Restricted	
Assigned	
Unassigned	\$3,782,084
TOTAL FUND BALANCES:	\$3,782,084
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$3,990,949

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Long-term liabilities are not reported in governmental funds. (Compensated Absences - \$85,715 and Other Post-Employment Benefits - \$277,967):

Property Taxes (\$83,188) and Court Receivables (\$54,084) are deferred at the governmental level but fully recognized at the entity-wide level.

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.

NET POSITION OF GOVERNMENTAL ACTIVITIES

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

CAPITAL PROJECTS FUND	SUBT OTHER GOVERNMENTAL FUNDS	TOTAL
	\$15,452	\$1,917,889
\$3,353,547	338,311	5,588,999
		83,188
10,000		118,183
<u>\$3,363,547</u>	<u>\$353,763</u>	<u>\$7,708,259</u>
6,949	492	\$44,703
		9,350
		24,981
<u>\$6,949</u>	<u>\$492</u>	<u>\$79,034</u>
		\$137,272
<u>\$0</u>	<u>\$0</u>	<u>\$137,272</u>
\$406,227	\$353,271	\$759,498
2,950,371		2,950,371
		3,782,084
<u>\$3,356,598</u>	<u>\$353,271</u>	<u>\$7,491,953</u>
<u>\$3,363,547</u>	<u>\$353,763</u>	<u>\$7,708,259</u>
		\$15,521,367
		(363,682)
		137,272
		797,024
		<u>\$23,583,934</u>

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

TOWN OF STEILACOOM
BALANCE SHEET
GOVERNMENTAL FUNDS - COMBINED
DECEMBER 31, 2013

	<u>GENERAL FUND</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</u>	
Cash and Cash Equivalents	\$350
Investments	4,759,786
Taxes Receivable	55,005
Accounts Receivable (net)	222,465
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	\$5,037,606
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</u>	
LIABILITIES:	
Accounts Payable	\$31,625
Deposits Payable	17,400
Due To Other Governmental Units	109,058
TOTAL LIABILITIES:	\$158,083
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes and Court Fines	\$149,826
TOTAL DEFERRED INFLOWS OF RESOURCES:	\$149,826
FUND BALANCES:	
Restricted	
Assigned	
Unassigned	\$4,729,697
TOTAL FUND BALANCES:	\$4,729,697
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$5,037,606

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Long-term liabilities are not reported in governmental funds. (Compensated Absences - \$85,715 and Other Post-Employment Benefits - \$277,967):

Property Taxes (\$83,188) and Court Receivables (\$54,084) are deferred at the governmental level but fully recognized at the entity-wide level.

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.

NET POSITION OF GOVERNMENTAL ACTIVITIES

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

CAPITAL PROJECTS FUND	SUBT OTHER GOVERNMENTAL FUNDS	TOTAL
	\$15,373	\$15,723
\$2,307,536	293,377	7,360,699
		55,005
6,825		229,290
<u>\$2,314,361</u>	<u>\$308,750</u>	<u>\$7,660,717</u>
		\$31,625
		17,400
		109,058
<u>\$0</u>	<u>\$0</u>	<u>\$158,083</u>
		\$149,826
<u>\$0</u>	<u>\$0</u>	<u>\$149,826</u>
\$665,327	\$277,837	\$943,164
1,649,034	30,913	1,679,947
		4,729,697
<u>\$2,314,361</u>	<u>\$308,750</u>	<u>\$7,352,808</u>
<u>\$2,314,361</u>	<u>\$308,750</u>	<u>\$7,660,717</u>
		\$14,379,090
		(350,255)
		149,826
		754,516
		<u>\$22,285,985</u>

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

**TOWN OF STEILACOOM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes:				
Property	\$2,064,845			\$2,064,845
Sales and Use	288,539		\$49,729	338,268
Utility and Franchise	819,815			819,815
Other	89,019	\$269,663		358,682
Licenses & Permits	99,064			99,064
Intergovernmental	187,666	1,538,895		1,726,561
Charges for Service	582,500	90,395		672,895
Fines & Forfeitures	31,876			31,876
Interest Income	55,961	6,790	1,879	64,630
Miscellaneous	11,776	105,517		117,293
TOTAL REVENUES:	<u>\$4,231,061</u>	<u>\$2,011,260</u>	<u>\$51,608</u>	<u>\$6,293,929</u>
EXPENDITURES				
Current:				
General Governmental	\$1,392,081	\$108,805		\$1,500,886
Public Safety	2,313,783			2,313,783
Transportation	432,925			432,925
Economic And Physical Development	192,060			192,060
Culture and Recreation	343,917		\$7,087	351,004
Capital Outlay:				
Streets		3,284,594		3,284,594
Parks				0
Other				0
TOTAL EXPENDITURES:	<u>\$4,674,766</u>	<u>\$3,393,399</u>	<u>\$7,087</u>	<u>\$8,075,252</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(\$443,705)</u>	<u>(\$1,382,139)</u>	<u>\$44,521</u>	<u>(\$1,781,323)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$515,112	\$2,424,376		\$2,939,488
Transfers Out	(1,019,020)			(1,019,020)
TOTAL OTHER FINANCING SOURCES AND USES:	<u>(\$503,908)</u>	<u>\$2,424,376</u>	<u>\$0</u>	<u>\$1,920,468</u>
NET CHANGE IN FUND BALANCE:	(\$947,613)	\$1,042,237	\$44,521	\$139,145
Fund Balance - Beginning of Year	4,729,697	2,314,361	308,750	7,352,808
Fund Balance - End of Year	<u>\$3,782,084</u>	<u>\$3,356,598</u>	<u>\$353,271</u>	<u>\$7,491,953</u>

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

Net change in fund balance - total governmental funds:	\$139,145
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.	2,089,691 (947,414)
Change in accrual related to Other Post-Employment Benefits and change in accrual for	(13,427)

Compensated Absences.

Revenues in the statement of activities which do not provide current financial resources and are not included the Statement of Revenues, Expenditures and Changes in Fund Balance. (96,640)

Impact of combining Internal Service Fund interest income and net operating activities. 2,239
17,063

Net other adjustments. 107,292

Change in net position - governmental activities: \$1,297,949

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, 2013**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes:				
Property	\$2,099,517			\$2,099,517
Sales and Use	271,347		\$46,756	318,103
Utility and Franchise	806,245			806,245
Other	84,137	\$259,005		343,142
Licenses & Permits	138,710			138,710
Intergovernmental	91,643	566,577		658,220
Charges for Service	600,801	156,843		757,644
Fines & Forfeitures	58,522			58,522
Interest Income	18,114	4,686	467	23,267
Miscellaneous	29,464		266	29,730
TOTAL REVENUES:	<u>\$4,198,500</u>	<u>\$987,111</u>	<u>\$47,489</u>	<u>\$5,233,100</u>
EXPENDITURES				
Current:				
General Governmental	\$1,366,381	\$13,237		\$1,379,618
Public Safety	2,087,263		\$100	2,087,363
Transportation	357,970	2,856		360,826
Economic And Physical Development	186,323			186,323
Culture and Recreation	332,207		\$13,007	345,214
Capital Outlay:				
Streets		1,388,902		1,388,902
Parks				0
Other		281,803		281,803
TOTAL EXPENDITURES:	<u>\$4,330,144</u>	<u>\$1,686,798</u>	<u>\$13,107</u>	<u>\$6,030,049</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(\$131,644)</u>	<u>(\$699,687)</u>	<u>\$34,382</u>	<u>(\$796,949)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$528,240	\$769,203		\$1,297,443
Transfers Out	(18,756)			(18,756)
TOTAL OTHER FINANCING SOURCES AND USES:	<u>\$509,484</u>	<u>\$769,203</u>	<u>\$0</u>	<u>\$1,278,687</u>
NET CHANGE IN FUND BALANCE:	\$377,840	\$69,516	\$34,382	\$481,738
Fund Balance - Beginning of Year	4,351,857	2,244,845	274,368	6,871,070
Fund Balance - End of Year	<u>\$4,729,697</u>	<u>\$2,314,361</u>	<u>\$308,750</u>	<u>\$7,352,808</u>

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

Net change in fund balance - total governmental funds: \$481,738

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. 905,917
(845,265)

Change in accrual related to Other Post-Employment Benefits and change in accrual for Compensated Absences	13,440
Revenues in the statement of activities which do not provide current financial resources and are not included the Statement of Revenues, Expenditures and Changes in Fund Balance.	(76,020)
Impact of combining Internal Service Fund interest income and net operating activities.	760 7,128
Net other adjustments.	(10,588)
Change in net position - governmental activities:	<u>\$477,110</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, 2014**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE W/ FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes:				
Property	\$2,090,681	\$2,090,681	\$2,064,845	(\$25,836)
Sales and Use	248,964	248,964	288,539	39,575
Utility and Franchise	866,963	866,963	819,815	(47,148)
Other	74,743	74,743	89,019	14,276
Licenses & Permits	78,550	78,550	99,064	20,514
Intergovernmental	94,198	94,198	187,666	93,468
Charges for Service	565,147	565,147	582,500	17,353
Fines & Forfeitures	86,354	86,354	31,876	(54,478)
Interest Income	20,000	20,000	55,961	35,961
Miscellaneous	20,000	20,000	11,776	(8,224)
TOTAL REVENUES:	<u>\$4,145,600</u>	<u>\$4,145,600</u>	<u>\$4,231,061</u>	<u>\$85,461</u>
EXPENDITURES				
Current:				
General Governmental	\$1,428,132	\$1,428,132	\$1,392,081	\$36,051
Public Safety	2,334,323	2,334,323	2,313,783	20,540
Transportation	376,435	376,435	432,925	(56,490)
Economic And Physical Development	186,306	186,306	192,060	(5,754)
Culture and Recreation	343,287	343,287	343,917	(630)
Debt Service:				
Principal				
Interest				
Capital Outlay:				
Streets				
Parks				
Other				
TOTAL EXPENDITURES:	<u>\$4,668,483</u>	<u>\$4,668,483</u>	<u>\$4,674,766</u>	<u>(\$6,283)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(\$522,883)</u>	<u>(\$522,883)</u>	<u>(\$443,705)</u>	<u>\$79,178</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$515,111	\$515,111	\$515,112	\$1
Transfers Out	19,020	1,019,020	1,019,020	0
TOTAL OTHER FINANCING SOURCES AND USES:	<u>\$496,091</u>	<u>(\$503,909)</u>	<u>(\$503,908)</u>	<u>\$1</u>
NET CHANGE IN FUND BALANCE:	(\$26,792)	(\$1,026,792)	(\$947,613)	\$79,179
Fund Balance - Beginning of Year	<u>4,729,697</u>	<u>4,729,697</u>	<u>4,729,697</u>	<u>0</u>
Fund Balance - End of Year	<u>\$4,702,905</u>	<u>\$3,702,905</u>	<u>\$3,782,084</u>	<u>\$79,179</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, 2013**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE W/ FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Taxes:				
Property	\$2,066,329	\$2,066,329	\$2,099,517	\$33,188
Sales and Use	246,499	246,499	271,347	24,848
Utility and Franchise	855,756	855,756	806,245	(49,511)
Other	74,743	74,743	84,137	9,394
Licenses & Permits	78,550	78,550	138,710	60,160
Intergovernmental	80,526	80,526	91,643	11,117
Charges for Service	562,647	562,647	600,801	38,154
Fines & Forfeitures	86,354	86,354	58,522	(27,832)
Interest Income	20,000	20,000	18,114	(1,886)
Miscellaneous	20,000	20,000	29,464	9,464
TOTAL REVENUES:	<u>\$4,091,404</u>	<u>\$4,091,404</u>	<u>\$4,198,500</u>	<u>\$107,096</u>
EXPENDITURES				
Current:				
General Governmental	\$1,421,416	\$1,421,416	\$1,366,381	\$55,035
Public Safety	2,261,143	2,261,143	2,087,263	173,880
Transportation	366,843	366,843	357,970	8,873
Economic And Physical Development	181,699	181,699	186,323	(4,624)
Culture and Recreation	332,052	332,052	332,207	(155)
Debt Service:				
Principal				
Interest				
Capital Outlay:				
Streets				
Parks				
Other				
TOTAL EXPENDITURES:	<u>\$4,563,153</u>	<u>\$4,563,153</u>	<u>\$4,330,144</u>	<u>\$233,009</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	<u>(\$471,749)</u>	<u>(\$471,749)</u>	<u>(\$131,644)</u>	<u>\$340,105</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$528,240	\$528,240	\$528,240	\$0
Transfers Out	18,763	18,763	18,756	(7)
TOTAL OTHER FINANCING SOURCES AND USES:	<u>\$509,477</u>	<u>\$509,477</u>	<u>\$509,484</u>	<u>(\$7)</u>
NET CHANGE IN FUND BALANCE:	\$37,728	\$37,728	\$377,840	\$340,098
Fund Balance - Beginning of Year	<u>4,351,857</u>	<u>4,351,857</u>	<u>4,351,857</u>	<u>0</u>
Fund Balance - End of Year	<u>\$4,389,585</u>	<u>\$4,389,585</u>	<u>\$4,729,697</u>	<u>\$340,098</u>

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

TOWN OF STEILACOOM
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	----- BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS -----			
	ELECTRIC FUND	WATER FUND	SEWER FUND	STORM FUND
<u>ASSETS AND OTHER DEBITS:</u>				
<u>CURRENT ASSETS:</u>				
Cash and Cash Equivalents	\$100	\$100		
Investments	\$2,279,091	\$1,590,264	\$1,622,218	\$618,993
Accounts Receivable (net)	249,719	129,797	264,532	40,435
Net Current Assets:	<u>\$2,528,910</u>	<u>\$1,720,161</u>	<u>\$1,886,750</u>	<u>\$659,428</u>
<u>NONCURRENT ASSETS:</u>				
Restricted Cash and Cash Equivalents		\$163,197		
Capital Assets				
Land				
Buildings		72,350		
Equipment	\$30,644	60,883	\$36,029	
Operating Plant In Service	5,814,010	4,585,020	10,272,424	\$5,152,397
Accumulated Depreciation	(2,907,290)	(1,719,266)	(4,751,671)	(1,300,010)
Net Capital Assets:	<u>\$2,937,364</u>	<u>\$2,998,987</u>	<u>\$5,556,782</u>	<u>\$3,852,387</u>
Total Noncurrent Assets:	<u>\$2,937,364</u>	<u>\$3,162,184</u>	<u>\$5,556,782</u>	<u>\$3,852,387</u>
TOTAL ASSETS:	<u>\$5,466,274</u>	<u>\$4,882,345</u>	<u>\$7,443,532</u>	<u>\$4,511,815</u>
<u>LIABILITIES:</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts Payable	\$43,097	\$16,048	\$135,565	\$293
Compensated Absences	3,172	3,679	2,673	1,748
Total Current Liabilities:	<u>\$46,269</u>	<u>\$19,727</u>	<u>\$138,238</u>	<u>\$2,041</u>
<u>NON-CURRENT LIABILITIES:</u>				
Compensated Absences Payable	\$9,514	\$11,036	\$8,020	\$5,244
Total Noncurrent Liabilities:	<u>\$9,514</u>	<u>\$11,036</u>	<u>\$8,020</u>	<u>\$5,244</u>
TOTAL LIABILITIES:	<u>\$55,783</u>	<u>\$30,763</u>	<u>\$146,258</u>	<u>\$7,285</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>NET POSITION:</u>				
Invested in Capital Assets, Net of Related Debt	\$2,937,364	\$2,998,987	\$5,556,782	\$3,852,387
Restricted		163,197	0	
Unrestricted	2,473,127	1,689,398	1,740,492	652,143
TOTAL NET POSITION:	<u>\$5,410,491</u>	<u>\$4,851,582</u>	<u>\$7,297,274</u>	<u>\$4,504,530</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise operations.

Net Position of Business-Type Activities:

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

TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
\$200	
\$6,110,566	\$1,052,959
684,483	200,000
<u>\$6,795,249</u>	<u>\$1,252,959</u>
\$163,197	
72,350	
127,556	\$1,596,343
25,823,851	
(10,678,237)	(1,260,432)
<u>\$15,345,520</u>	<u>\$335,911</u>
<u>\$15,508,717</u>	<u>\$335,911</u>
<u>\$22,303,966</u>	<u>\$1,588,870</u>
\$195,003	\$1,749
11,272	2,921
<u>\$206,275</u>	<u>\$4,670</u>
\$33,814	\$8,762
<u>\$33,814</u>	<u>\$8,762</u>
<u>\$240,089</u>	<u>\$13,432</u>
<u>\$0</u>	<u>\$0</u>
\$15,345,520	\$335,911
163,197	
6,555,160	1,239,527
<u>\$22,063,877</u>	<u>\$1,575,438</u>
<u>\$778,414</u>	
<u>\$22,842,291</u>	

TOWN OF STEILACOOM
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
	ELECTRIC FUND	WATER FUND	SEWER FUND	STORM FUND		
ASSETS AND OTHER DEBITS:						
CURRENT ASSETS:						
Cash and Cash Equivalents	\$444,342	\$1,719,179	\$1,322,344	\$761,631	\$4,247,496	
Investments	\$2,314,139				\$2,314,139	\$884,447
Accounts Receivable (net)	267,331	106,316	255,195	39,992	668,834	225,000
Inventories						32,739
Net Current Assets:	<u>\$3,025,812</u>	<u>\$1,825,495</u>	<u>\$1,577,539</u>	<u>\$801,623</u>	<u>\$7,230,469</u>	<u>\$1,142,186</u>
NONCURRENT ASSETS:						
Restricted Cash and Cash Equivalents		\$162,275			\$162,275	
Capital Assets						
Land						
Buildings		72,350			72,350	
Equipment	\$14,239	60,883	\$25,094		100,216	\$1,664,217
Operating Plant In Service	5,393,106	4,240,417	9,922,158	\$4,745,791	24,301,472	
Accumulated Depreciation	(2,683,154)	(1,631,333)	(4,527,807)	(1,194,085)	(10,036,379)	(1,255,775)
Net Capital Assets:	<u>\$2,724,191</u>	<u>\$2,742,317</u>	<u>\$5,419,445</u>	<u>\$3,551,706</u>	<u>\$14,437,659</u>	<u>\$408,442</u>
Total Noncurrent Assets:	<u>\$2,724,191</u>	<u>\$2,904,592</u>	<u>\$5,419,445</u>	<u>\$3,551,706</u>	<u>\$14,599,934</u>	<u>\$408,442</u>
TOTAL ASSETS:	<u>\$5,750,003</u>	<u>\$4,730,087</u>	<u>\$6,996,984</u>	<u>\$4,353,329</u>	<u>\$21,830,403</u>	<u>\$1,550,628</u>
LIABILITIES:						
CURRENT LIABILITIES:						
Accounts Payable	\$202,311	\$15,000	\$129,157		\$346,468	\$3,187
Due To Other Governmental Units			9,837		9,837	
Compensated Absences	1,800	3,141	2,584	1,799	9,324	2,528
Total Current Liabilities:	<u>\$204,111</u>	<u>\$18,141</u>	<u>\$141,578</u>	<u>\$1,799</u>	<u>\$365,629</u>	<u>\$5,715</u>
NON-CURRENT LIABILITIES:						
Compensated Absences Payable	\$5,398	\$9,422	\$7,751	\$5,396	\$27,967	\$7,584
Total Noncurrent Liabilities:	<u>\$5,398</u>	<u>\$9,422</u>	<u>\$7,751</u>	<u>\$5,396</u>	<u>\$27,967</u>	<u>\$7,584</u>
TOTAL LIABILITIES:	<u>\$209,509</u>	<u>\$27,563</u>	<u>\$149,329</u>	<u>\$7,195</u>	<u>\$393,596</u>	<u>\$13,299</u>
DEFERRED INFLOWS OF RESOURCES:						
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
NET POSITION:						
Invested In Capital Assets, Net of Related Debt	\$2,724,191	\$2,742,317	\$5,419,445	\$3,551,706	\$14,437,659	\$408,442
Restricted		162,275			162,275	
Unrestricted	2,816,303	1,797,932	1,428,210	794,428	6,836,873	1,128,887
TOTAL NET POSITION:	<u>\$5,540,494</u>	<u>\$4,702,524</u>	<u>\$6,847,655</u>	<u>\$4,346,134</u>	<u>\$21,436,807</u>	<u>\$1,537,329</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise operations. \$782,813

Net Position of Business-Type Activities: \$22,219,620

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, 2014**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVIC
	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	STORM WATER UTILITY		
Operating Revenues						
Charges For Sales And Services						
Electric Sales and Services	\$2,716,824				\$2,716,824	
Water Sales and Services		\$1,037,740			1,037,740	
Sewer Sales and Services			\$2,957,627		2,957,627	
Storm Drain Sales and Services				\$495,502	495,502	
Other Sales and Services					0	\$578,401
Total Operating Revenue	<u>\$2,716,824</u>	<u>\$1,037,740</u>	<u>\$2,957,627</u>	<u>\$495,502</u>	<u>\$7,207,693</u>	<u>\$578,401</u>
Operating Expenses						
Cost of Sales and Services	\$2,486,430	\$684,616	\$2,146,557	\$182,197	\$5,499,800	\$456,249
Depreciation	224,136	87,933	223,864	105,926	641,859	88,464
Total Operating Expenses	<u>\$2,710,566</u>	<u>\$772,549</u>	<u>\$2,370,421</u>	<u>\$288,123</u>	<u>\$6,141,659</u>	<u>\$544,713</u>
Operating Income	<u>\$6,258</u>	<u>\$265,191</u>	<u>\$587,206</u>	<u>\$207,379</u>	<u>\$1,066,034</u>	<u>\$33,688</u>
Nonoperating Revenues and Expenses						
Investment Earnings	\$16,027	\$11,121	\$10,228	\$5,662	\$43,038	\$4,421
Total Nonoperating Revenues and Expenses	<u>\$16,027</u>	<u>\$11,121</u>	<u>\$10,228</u>	<u>\$5,662</u>	<u>\$43,038</u>	<u>\$4,421</u>
Income Before Contributions and Transfers	<u>\$22,285</u>	<u>\$276,312</u>	<u>\$597,434</u>	<u>\$213,041</u>	<u>\$1,109,072</u>	<u>\$38,109</u>
Capital Contributions						
Developers/Others	\$326,599	\$346,914	\$357,371	\$407,582	\$1,438,466	
Transfers In						
Governmental Funds	9,948	9,072			19,020	
Proprietary Funds						
Transfers Out						
Governmental Funds	(488,835)	(483,240)	(505,186)	(462,227)	(1,939,488)	
Proprietary Funds						
Total Capital Contributions and Transfers	<u>(\$152,288)</u>	<u>(\$127,254)</u>	<u>(\$147,815)</u>	<u>(\$54,645)</u>	<u>(\$482,002)</u>	<u>\$0</u>
Change In Net Assets:	<u>(\$130,003)</u>	<u>\$149,058</u>	<u>\$449,619</u>	<u>\$158,396</u>	<u>\$627,070</u>	<u>\$38,109</u>
Total Net Position - Beginning	<u>\$5,540,494</u>	<u>\$4,702,524</u>	<u>\$6,847,655</u>	<u>\$4,346,134</u>	<u>\$21,436,807</u>	<u>\$1,537,329</u>
Total Net Position- Ending	<u>\$5,410,491</u>	<u>\$4,851,582</u>	<u>\$7,297,274</u>	<u>\$4,504,530</u>	<u>\$22,063,877</u>	<u>\$1,575,438</u>

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, 2013**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVIC
	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	STORM WATER UTILITY	OTHER PROPRIETARY FUNDS		
Operating Revenues							
Charges For Sales And Services							
Electric Sales and Services	\$2,800,522					\$2,800,522	
Water Sales and Services		\$988,245				988,245	
Sewer Sales and Services			\$2,875,988			2,875,988	
Storm Drain Sales and Services				\$503,237		503,237	
Other Sales and Services				118,797		118,797	\$589,292
Total Operating Revenue	\$2,800,522	\$988,245	\$2,875,988	\$622,034	\$0	\$7,286,789	\$589,292
Operating Expenses							
Cost of Sales and Services	\$2,653,979	\$641,550	\$2,131,178	\$331,723	\$21,132	\$5,779,562	\$464,892
Depreciation	195,814	81,041	215,504	97,794		590,153	110,326
Total Operating Expenses	\$2,849,793	\$722,591	\$2,346,682	\$429,517	\$21,132	\$6,369,715	\$575,218
Operating Income	(\$49,271)	\$265,654	\$529,306	\$192,517	(\$21,132)	\$917,074	\$14,074
Nonoperating Revenues and Expenses							
Investment Earnings	\$6,594	\$3,265	\$6,649	\$1,077	\$1,502	\$19,087	\$1,500
Interest Expense			(70,612)			(70,612)	
Total Nonoperating Revenues and Expenses	\$6,594	\$3,265	(\$63,963)	\$1,077	\$1,502	(\$51,525)	\$1,500
Income Before Contributions and Transfers	(\$42,677)	\$268,919	\$465,343	\$193,594	(\$19,630)	\$865,549	\$15,574
Capital Contributions							
Developers/Others	\$153,766	\$264,358	\$240,910	\$165,701		\$824,735	
Transfers In							
Governmental Funds	9,948	8,808				18,756	
Proprietary Funds							
Transfers Out							
Governmental Funds	(303,874)	(395,593)	(380,026)	(217,950)		(1,297,443)	
Proprietary Funds							
Total Capital Contributions and Transfers	(\$140,160)	(\$122,427)	(\$139,116)	(\$52,249)	\$0	(\$453,952)	\$0
Change In Net Assets:	(\$182,837)	\$146,492	\$326,227	\$141,345	(\$19,630)	\$411,597	\$15,574
Total Net Position - Beginning	\$5,723,331	\$4,556,032	\$6,521,428	\$4,204,789	\$19,630	\$21,025,210	\$1,521,755
Total Net Position- Ending	\$5,540,494	\$4,702,524	\$6,847,655	\$4,346,134	\$0	\$21,436,807	\$1,537,329

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

**TOWN OF STEILACOOM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	STORM WATER UTILITY	TOTAL PROPRIETARY FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$2,734,436	\$1,014,259	\$2,948,290	\$500,531	\$7,197,516	\$578,401
Payments to suppliers	(2,119,709)	(441,358)	(1,948,706)	(115,452)	(4,625,225)	(\$213,526)
Payments for employee wages/benefits	(520,447)	(240,057)	(200,922)	(72,127)	(1,033,553)	(184,851)
Net cash provided by operating activities	\$94,280	\$332,844	\$798,662	\$312,952	\$1,538,738	\$180,024
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds						
Governmental Funds	(\$165,936)	(\$138,636)	(\$154,920)	(\$55,620)	(\$515,112)	
Proprietary Funds						
Transfers from other funds						
Governmental Funds	9,948	9,072			19,020	
Proprietary Funds						
Other Noncapital Financing Activities						
Net cash provided (used) by noncapital financing activities	(\$155,988)	(\$129,564)	(\$154,920)	(\$55,620)	(\$496,092)	\$0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt						
Capital contributions						
Developers/Others	\$3,700	\$2,310	\$7,105	\$975	\$14,090	
Transfers to other funds						
Governmental Funds	(322,899)	(\$344,604)	(350,266)	(406,607)	(\$1,424,376)	
Proprietary Funds						
Transfers from other funds						
Governmental Funds						
Proprietary Funds						
Purchase of capital assets	(114,410)		(10,935)		(125,345)	(\$15,933)
Net cash provided (used) by capital and related financing activities	(\$433,609)	(\$342,294)	(\$354,096)	(\$405,632)	(\$1,535,631)	(\$15,933)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	\$16,027	\$11,121	\$10,228	\$5,662	\$43,038	\$4,421
Investment Purchases	(268,567)	(\$1,590,264)	(\$1,622,218)	(\$618,993)	(4,100,042)	
Investment Sales	303,615				303,615	
Net cash provided (used) by investing activities	\$51,075	(\$1,579,143)	(\$1,611,990)	(\$613,331)	(\$3,753,389)	\$4,421
Net increase in cash and cash equivalents	(\$444,242)	(\$1,718,157)	(\$1,322,344)	(\$761,631)	(\$4,246,374)	\$168,512
Cash and equivalents - January 1	\$444,342	\$1,881,454	\$1,322,344	\$761,631	\$4,409,771	\$884,447
Cash and equivalents - December 31	\$100	\$163,297	\$0	\$0	\$163,397	\$1,052,959
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating Income	\$6,258	\$265,191	\$587,206	\$207,379	\$1,066,034	\$33,688
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	\$224,136	\$87,933	\$223,864	\$105,926	\$641,859	\$88,464
(Increase) decrease in accounts receivable	17,612	(23,480)	(9,337)	(443)	(15,648)	25,000
(Increase) decrease in inventories						32,739
Increase (decrease) in accounts payable	(159,214)	1,048	6,408	293	(151,465)	(1,438)
Increase (decrease) in intergovernmental payable			(9,837)		(9,837)	
Increase (decrease) in compensated absences	5,488	2,152	358	(203)	7,795	1,571
Total adjustments	\$88,022	\$67,653	\$211,456	\$105,573	\$472,704	\$146,336
Net cash provided by operating activities	\$94,280	\$332,844	\$798,662	\$312,952	\$1,538,738	\$180,024
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:						
Contributions of capital assets	\$420,904	\$344,604	\$350,266	\$406,607	\$1,522,381	\$0

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

TOWN OF STEILACOOM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					TOTAL PROPRIETARY FUNDS	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE
	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	STORM WATER UTILITY	OTHER PROPRIETARY FUNDS		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$2,835,671	\$1,001,180	\$2,887,517	\$629,466		\$7,353,834	\$589,292
Payments to suppliers	(2,140,086)	(439,821)	(1,912,094)	(233,691)	(\$24,708)	(4,750,400)	(\$246,060)
Payments for employee wages/benefits	(493,975)	(213,495)	(212,915)	(97,277)		(1,017,662)	(181,744)
Net cash provided by operating activities	\$201,610	\$347,864	\$762,508	\$298,498	(\$24,708)	\$1,585,772	\$161,488
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to other funds							
Governmental Funds	(\$172,308)	(\$143,940)	(\$156,168)	(\$55,824)		(\$528,240)	
Proprietary Funds							
Transfers from other funds							
Governmental Funds	9,948	8,808				18,756	
Proprietary Funds							
Other Noncapital Financing Activities							
Net cash provided (used) by noncapital financing activities	(\$162,360)	(\$135,132)	(\$156,168)	(\$55,824)	\$0	(\$509,484)	\$0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt							
Capital contributions							
Developers/Others	\$22,200	\$12,705	\$17,052	\$3,575		\$55,532	
Transfers to other funds							
Governmental Funds	(131,566)	(\$251,653)	(223,858)	(162,126)		(\$769,203)	
Proprietary Funds							
Transfers from other funds							
Governmental Funds							
Proprietary Funds							
Purchase of capital assets	(772,125)					(772,125)	(\$85,576)
Principal paid on capital debt			(2,575,000)			(2,575,000)	
Interest paid on capital debt			(120,705)			(120,705)	
Proceeds from sale of capital assets							
Net cash provided (used) by capital and related financing activities	(\$881,491)	(\$238,948)	(\$2,902,511)	(\$158,551)	\$0	(\$4,181,501)	(\$85,576)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income	\$6,595	\$3,265	\$6,649	\$1,076	\$1,502	\$19,087	\$1,500
Investment Purchases	(2,314,139)					(2,314,139)	
Net cash provided (used) by investing activities	(\$2,307,544)	\$3,265	\$6,649	\$1,076	\$1,502	(\$2,295,052)	\$1,500
Net increase in cash and cash equivalents	(\$3,149,785)	(\$22,951)	(\$2,289,522)	\$85,199	(\$23,206)	(\$5,400,265)	\$77,412
Cash and equivalents - January 1	\$3,594,127	\$1,904,405	\$3,611,866	\$676,432	\$23,206	\$9,810,036	\$807,035
Cash and equivalents - December 31	\$444,342	\$1,881,454	\$1,322,344	\$761,631	\$0	\$4,409,771	\$884,447
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income	(\$49,271)	\$265,654	\$529,306	\$192,517	(\$21,132)	\$917,074	\$14,074
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	\$195,814	\$81,041	\$215,504	\$97,794		\$590,153	\$110,326
(Increase) decrease in accounts receivable	35,149	12,935	11,529	7,432		67,045	25,000
(Increase) decrease in inventories							10,873
Increase (decrease) in accounts payable	17,871	(13,269)	459	(341)	(\$3,576)	1,144	516
Increase (decrease) in intergovernmental payable			5,000			5,000	
Increase (decrease) in compensated absences	2,047	1,503	710	1,096	0	5,356	699
Total adjustments	\$250,881	\$82,210	\$233,202	\$105,981	(\$3,576)	\$668,698	\$147,414
Net cash provided by operating activities	\$201,610	\$347,864	\$762,508	\$298,498	(\$24,708)	\$1,585,772	\$161,488
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:							
Contributions of capital assets	\$902,306	\$251,653	\$223,858	\$162,126	\$0	\$1,539,943	\$0

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

**TOWN OF STEILACOOM
 STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014**

	AGENCY FUND TOTAL
	<u> </u>
ASSETS	
Cash/Investments	\$183,073
Total Assets	<u>\$183,073</u>
LIABILITIES	
Deposits	<u>\$183,073</u>
Total Liabilities	<u>\$183,073</u>
NET POSITION	
Total Net Position	<u><u>\$0</u></u>

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

**TOWN OF STEILACOOM
 STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>AGENCY FUND TOTAL</u>
ASSETS	
Cash/Investments	\$187,656
Total Assets	<u>\$187,656</u>
LIABILITIES	
Deposits	<u>\$187,656</u>
Total Liabilities	<u>\$187,656</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, 2014

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 were none in 2014.

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. In 2014, the Town had no component units.

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 *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 types:

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.

Agency Fund accounts for resources which the Town is holding but which legally belong to a third party. At December 31, 2014, this amounted to \$183,073 for customer utility deposits.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are when the utilities provide services to the general government for which they are compensated at the same rates as other customers and transfers between the governmental funds and the proprietary funds.

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.

2014 was the second year of the 2013-2014 Biennium. The budget amounts shown in the financial statements reflect that portion of the total appropriation that was anticipated on being spent in 2014 based upon the initially adopted and amended biennium budget. Both the initial and revised spending plan/budget for 2014 are shown in the financial statements.

For the 2013-2014 Biennium, the following budget and actual activity occurred for the General and Special Revenue Funds.

	Initial Budget	Final Budget	2013 Expend.	2014 Expend.	Total
General	\$9,269,427	\$10,269,427	\$4,348,900	\$5,687,503	\$10,036,403
Parks Enh.	99,000	99,000	13,007	7,087	20,094
Cont. Sub.	2,000	2,000	100	0	100

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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.

The Washington State Investment Pool held a portion 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, 2014, the Town's short-term investments with the Washington State Treasurer, other short term investments, and cash accounts were:

State Treasurer:	\$ 2,084,260
Key Bank:	179,549
Change Fund/Petty Cash:	<u>550</u>
Total:	<u>\$ 2,264,359</u>

It is the policy of the Town to prorate the interest earned on cash deposits and investments to the various funds of the Town based upon their respective share of the combined cash and investment balance 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. Investments

See Note IV – Deposits and Investments.

3. Receivables

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 in the Deferred Inflows of Resources section.

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.

The Internal Service Fund holds a long-term (9 years) receivable in the amount of \$200,000 from West Pierce Fire and Rescue arising from a contractual agreement entered into in 2012. Scheduled payments are \$25,000 per year for the remaining 9 years.

4. 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. Inventories were fully expensed in 2014 and will be expensed to the individual funds when purchased from here out.

5. Restricted Assets

Certain resources in the enterprise funds are set aside in the Water Utility Fund for future capital improvements in accordance with the Town's contract with the Lakewood Water District.

At December 31, 2014, restricted assets within the enterprise funds consist of:

Water Utility:	<u>\$163,197</u>
Total:	<u>\$163,197</u>

6. 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).

7. 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.

8. 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.

9. 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.

10. 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 2014 for all governmental funds were \$91,556 and for proprietary funds, accruals were \$50,928 for a total of \$142,484 (at the Government-wide level once applicable costs associated with the Town's Internal Service Fund are allocated).

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, 2014 in the government-wide statements (\$277,967). 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. Fund Balance

Governmental funds report the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- ***Nonspendable*** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- ***Restricted*** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- ***Committed*** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- ***Assigned*** fund balance comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental

funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund

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 \$363,682 adjustment are:

Other Post-Employment Benefits:	\$277,967
Compensated Absences Payable:	<u>85,715</u>
Total:	<u>\$363,682</u>

(*) Does not include the additional \$5,841 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 2014, the Town capitalized \$2,089,691 in infrastructure assets and general governmental assets. The Town depreciated \$947,414 in general governmental assets and infrastructure assets in 2014.

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. Since 2008, 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, and 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, 2014, the Town had \$179,549 on deposit in two demand accounts (checking) with Key Bank. (General Account and Municipal Court).

The Town's investments throughout the year and at December 31, 2014 were made with the Washington State Local Government Investment Pool (LGIP), with McDonald Investments, with Key Bank, or with another firm with all investments being held in safekeeping by Key Bank's Trust department.

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. Due to their ability to be converted to cash within 24 hours, funds on deposit with the LGIP are treated as cash in the financial statements.

Investments held as of December 31, 2014, and investment activity for the year excluding investments with the State Treasures' Investment Pool was as follows:

Description	Balance 12-31-13	Purchases	Sales	Balance 12/31/14
FHLMC	\$1,000,000		\$1,000,000	\$ 0
Skagit County Hospital	500,000		500,000	0
FICO Strip	203,414		203,414	0
FCSB	1,000,000		1,000,000	0
FCSB	1,000,000			1,000,000
Port of Seattle	500,000			500,000
Clark County PUD #1	171,424		14,160	157,264
FNMA	500,000		500,000	0
FCSB	500,000		500,000	0
FCSB	1,000,000		1,000,000	0
Clark County	200,000			200,000
FNMA	500,000		500,000	0
FHLMC	500,000		500,000	0
FHLMC	500,000		500,000	0
FHLB	500,000		500,000	0
FHLB	500,000		500,000	0
FHLMC	500,000			500,000
Grant County Utility #2	100,000			100,000
FHLMC		1,000,000		1,000,000
FHLB		500,000		500,000
Franklin County GO Bonds		215,000		215,000
FHLB		1,000,000		1,000,000
Washington State GO		1,080,260		1,080,260
FHLB		1,000,000		1,000,000
FHLB		500,000		500,000
FHLB		1,000,000		1,000,000
FNMA		1,000,000		1,000,000
FNMA		1,000,000		1,000,000
FHLB		1,000,000		1,000,000
FHLB		1,000,000		1,000,000
Total	\$9,674,838	\$10,295,260	\$7,217,574	\$12,752,524

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, 2014 and excluding the LGIP pool investments, the Town's investments carried the following interest rates.

Description	Balance 12/31/14	Interest Rate
FCSB	1,000,000	.40%
Port of Seattle	500,000	.46%
Clark County PUD #1	157,264	5.25%
Clark County	200,000	4.00%
FHLMC	500,000	.50%
Grant County Utility #2	100,000	3.00%
FHLMC	1,000,000	.75%
FHLB	500,000	.85%
Franklin County GO Bonds	215,000	.95%
FHLB	1,000,000	1.00%
Washington State GO	1,080,260	4.00%
FHLB	1,000,000	.69%
FHLB	500,000	1.00%
FHLB	1,000,000	1.05%
FNMA	1,000,000	1.00%
FNMA	1,000,000	1.06%
FHLB	1,000,000	.875%
FHLB	1,000,000	.75%
Total	\$12,752,524	

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

Cash and Cash Equivalents reconcile to the Statement of Net Position as follows:

Statement of Net Position:	
Current Assets:	\$1,918,089
Restricted Assets:	163,197
Subtotal:	<u>\$2,081,286</u>
Statement of Fiduciary Net Assets:	183,073
Total:	<u>\$2,264,359</u>
Detailed Support:	
State Treasurer:	\$2,084,260
Key Bank:	179,549
Cash on Hand:	550
Total:	<u>\$2,264,359</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 2014, 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 2014, the Town's regular tax levy was approximately \$2.92 per \$1,000 for a regular levy of \$1,784,128 and a special EMS levy of approximately \$.50 per \$1,000 for a special levy of \$305,560.

The regular levy taxable value base as of December 31, 2014 for levies in 2015 was \$677,199,850.

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 individual fund financial statements. These assets appear in the government wide Statement of Net Position.

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 are capitalized.

Changes in the Governmental Capital Asset Account for 2014 were:

CATEGORY	BALANCE 12-31-13	2014 ADDITIONS	2014 DELETIONS	BALANCE 12-31-14	ACCUM. DEPREC.	NET VALUE 12-31-14
Land	\$ 4,847,195	\$ 39,000		\$ 4,886,195		\$ 4,886,195
Buildings	5,833,665	105,615		5,939,280	4,539,833	1,399,447
Equipment						
Gen. Gov't	439,459	84,857		524,316	322,371	201,945
I/S Allocated	382,770	3,665	\$ 19,276	367,159	289,898	77,261
Infrastructure	15,797,224	1,860,219		17,657,443	8,623,664	9,033,779
Total	\$ 27,300,313	\$ 2,093,356	\$ 19,276	\$29,374,393	\$13,775,766	\$15,598,627

Calendar year 2014 additions primarily are comprised of the acquisition of the Harlock Place Park property, residing the administration building, flooring in the Community Center kitchen, acquisition and disposition of equipment; and construction of street infrastructure.

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 2014 were:

Internal Service Funds:

CATEGORY	BALANCE 12-31-13	2014 ADDITIONS	2014 DELETIONS	BALANCE 12-31-14
Equipment	1,664,217	15,933	83,807	1,596,343
Accumulated Depreciation	(1,255,775)	(88,464)	(83,807)	(1,260,432)
Net	408,442	(72,531)		335,911

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 12-31-13	2014 ADDITIONS	2014 DELETIONS	BALANCE 12-31-14
Capital Assets	5,407,345	437,309		5,844,654
Accumulated Depreciation	(2,683,154)	(224,136)		(2,907,290)
Net	2,724,191	213,173		2,937,364

Sewer Utility:

CATEGORY	BALANCE 12-31-13	2014 ADDITIONS	2014 DELETIONS	BALANCE 12-31-14
Capital Assets	9,947,252	361,201		10,308,453
Accumulated Depreciation	(4,527,807)	(223,864)		(4,751,671)
Net	5,419,445	137,337		5,556,782

Water Utility:

CATEGORY	BALANCE 12-31-13	2014 ADDITIONS	2014 DELETIONS	BALANCE 12-31-14
Capital Assets	4,373,650	344,603		4,718,253
Accumulated Depreciation	(1,631,333)	(87,933)		(1,719,266)
Net	2,742,317	256,670		2,998,987

Storm Drain Utility:

CATEGORY	BALANCE 12-31-13	2014 ADDITIONS	2014 DELETIONS	BALANCE 12-31-14
Capital Assets	4,745,791	406,606		5,152,397
Accumulated Depreciation	(1,194,085)	(105,925)		(1,300,010)
Net	3,551,706	300,681		3,852,387

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 Washington State 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

or it may be downloaded from the DRS website at www.drs.wa.gov.

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

The Legislature established PERS in 1947.

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher

education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. 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 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 exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 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. The benefit 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, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit 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 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of 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 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. 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 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age 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 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, if hired prior to May 1, 2013:

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

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component

range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; 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 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- 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.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option. 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 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These 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 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an 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 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There were 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Nonvested	101,191
Total	368,272

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

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 current-year covered payroll, as of December 31, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** Plan 3 defined benefit portion only.
- ***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
2014	6,984	151,965	14,570
2013	7,882	134,892	10,995
2012	7,757	116,046	7,203
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	

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

Plan Description

LEOFF was established in 1970 by the Legislature. Membership 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, with Department of Fish and Wildlife enforcement officers, who were first included 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.

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.

LEOFF 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 legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS 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 there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. 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 benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent 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 catastrophically 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 percent 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 benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent 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 their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by 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 eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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, 2012:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled To But Not Yet Receiving Bene	699
Active Plan Members Vested	16,830
Active Plan Members Nonvested	1,600
Total	29,640

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.59%.

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:

YEAR	LEOFF 1	LEOFF II
2014	0	42,055
2013	0	33,844
2012	0	39,949
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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, 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.

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, 2014 the Town has no external short-term debt not discussed in Note XI.

NOTE XI - LONG-TERM DEBT

The Town of Steilacoom previously issued debt for constructing utility improvements. As of December 31, 2014, the Town had no outstanding loans or bonded debt.

Changes in the governmental long-term debt for 2014 were as follows:

	BEGINNING BALANCE	NET CHANGES	ENDING BALANCE
Compensated Absences	73,844	17,712	91,556
OPEB	281,467	(3,500)	277,967
Subtotal	355,311	14,212	369,523

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 2014 were as follows:

	BEGINNING BALANCE	NET CHANGES	ENDING BALANCE
Compensated Absences	42,347	8,581	50,928
Total	42,347	8,581	50,928

NOTE XII - CLAIMS AND JUDGMENTS

On December 31, 2014 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 \$3,873,066 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 2014 nor were there any balances outstanding as of December 31, 2014.

During 2014, 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 2013.

FUND	TRANSFER IN	TRANSFER OUT
General	\$515,112	
Electric		\$165,936
Water		138,636
Sewer		154,920
Storm		55,620
Total	\$515,112	\$515,112

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		\$19,020
Electric	\$ 9,948	
Water	9,072	
Total	\$19,020	\$19,020

The Town also transferred resources from the utility funds to the Capital Projects Fund to cover their share of the costs of installing infrastructure done in conjunction with various road projects.

FUND	TRANSFER IN	TRANSFER OUT
Capital Projects	\$1,424,376	
Electric		\$322,899
Water		344,604
Sewer		350,266
Storm		406,607
Total	\$1,424,376	\$1,424,376

Additionally, the Council authorized \$1,000,000 to be transferred from the General Fund to the Capital Projects Fund to be used for infrastructure projects.

NOTE XVI - SEGMENT INFORMATION

The Town of Steilacoom operated four utilities during 2014. These utilities were Electric, Water, Sewer, and Storm.

Key financial data for the year ended December 31, 2014 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, 2014, the Town of Steilacoom was not a participant in any type of joint ventures.

NOTE XVIII – 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 2014.

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:

	2014	2013	2012	2011	2010	2009
Actuarial Accrued Liability	\$242,411	\$248,933	\$245,425	\$261,977	\$268,576	\$284,417
Annual Required Contribution	22,572	23,179	23,784	24,394	25,008	26,520
Annual OPEB Cost:	9,029	9,576	10,175	10,810	11,305	26,520
Net OPEB Obligation:	277,967	281,467	282,726	282,848	282,333	9,660

The Town booked the entire estimated actuarial accrued liability of \$277,967 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 2014, the following medical expenses were incurred and paid for by the Town for the one qualifying individual:

Medical Insurance Premiums:	\$ 3,744
Reimbursed Medical Costs (prescriptions, etc)	5,946
Long-Term Care Premiums:	<u>2,839</u>
Total:	<u>\$12,529</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. Retirees of the Town receiving medical benefits from the Trust may have chosen and contribute the following monthly amounts:

Health First 1000:

- \$830.01 for non-Medicare enrolled retiree coverage.
- \$837.26 for non-Medicare enrolled spouse coverage.
- \$443.30 for Medicare enrolled retiree coverage.
- \$456.13 for Medicare enrolled spouse coverage.

Health Fire 2500:

- \$724.72 for non-Medicare enrolled retiree coverage.
- \$729.99 for non-Medicare enrolled spouse coverage.
- \$388.08 for Medicare enrolled retiree coverage.
- \$398.04 for Medicare enrolled spouse 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, 2014.

THE TOWN OF STEILACOOM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

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 *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 types:

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.

Agency Fund accounts for resources which the Town is holding but which legally belong to a third party. At December 31, 2013, this amounted to \$187,656 of which \$185,375 was for customer utility deposits and \$2,281 was for an employee flexible benefit plan.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are when the utilities provide services to the general government for which they are compensated at the same rates as other customers and transfers between the governmental funds and the proprietary funds.

The Town of Steilacoom implemented GASB Statement Number 65, Items Previously reported as Assets and Liabilities in 2013.

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.

2013 was the first year of the 2013-2014 Biennium. The budget amounts shown in the financial statements reflect that portion of the total appropriation that was anticipated on being spent in 2013 based upon the initially adopted and amended biennium budget. Both the initial and revised spending plan/budget for 2013 are shown in the financial statements.

For the 2013-2014 Biennium, the following budget and actual activity occurred for the General and Special Revenue Funds.

	Initial Budget	Final Budget	2013 Expend.	2014 Plan	Total
General	\$9,269,427	\$9,269,427	\$4,348,900	\$4,687,511	\$9,036,411
Parks Enh.	99,000	99,000	13,007	49,500	62,507
Cont. Sub.	2,000	2,000	100	1,000	1,100

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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.

The Washington State Investment Pool held a portion 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, 2013, the Town's short-term investments with the Washington State Treasurer, other short term investments, and cash accounts were:

State Treasurer:	\$ 4,656,844
Key Bank:	837,922
Key Bank – Benefits	2,281
Change Fund/Petty Cash:	<u>550</u>
Total:	<u>\$ 5,497,597</u>

It is the policy of the Town to prorate the interest earned on cash deposits and investments to the various funds of the Town based upon their respective share of the combined cash and investment balance 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. Investments

See Note IV – Deposits and Investments.

3. Receivables

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 in the Deferred Inflows of Resources section.

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.

The Internal Service Fund holds a long-term (9 years) receivable in the amount of \$225,000 from West Pierce Fire and Rescue arising from a contractual agreement entered into in 2012. Scheduled payments are \$25,000 per year for the remaining 9 years.

4. 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.

5. Restricted Assets

Certain resources in the enterprise funds are set aside in the Water Utility Fund for future capital improvements in accordance with the Town's contract with the Lakewood Water District.

At December 31, 2013, restricted assets within the enterprise funds consist of:

Water Utility:	<u>\$162,275</u>
Total:	<u>\$162,275</u>

6. 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 the \$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).

7. 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.

8. Deposits

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

9. 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.

10. 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 2013 for all governmental funds were \$73,844 and for proprietary funds, accruals were \$42,347 for a total of \$116,191 (at the Government-wide level once applicable costs associated with the Town's Internal Service Fund are allocated).

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, 2013 in the government-wide statements (\$281,467). 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. Fund Balance

Governmental funds report the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- ***Nonspendable*** fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
- ***Restricted*** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- ***Committed*** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of

decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

- **Assigned** fund balance comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund

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 \$363,665 adjustment are:

Other Post-Employment Benefits:	\$281,467
Compensated Absences Payable:	<u>68,788</u>
Total:	<u>\$350,255</u>

(*) Does not include the additional \$5,056 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 2013, the Town capitalized \$905,917 in infrastructure assets and general governmental assets. The Town depreciated \$845,265 in general governmental assets and infrastructure assets in 2013.

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. Since 2008, 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, and 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, 2013, the Town had \$840,203 on deposit in three demand accounts (checking) with Key Bank. (General Account, Municipal Court, Employee Flexible Spending).

The Town's investments throughout the year and at December 31, 2013 were made with the Washington State Local Government Investment Pool (LGIP) primarily, with McDonald Investments, with Key Bank, or with another firm with all investments being held in safekeeping by Key Bank's Trust department.

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. Due to their ability to be converted to cash within 24 hours, funds on deposit with the LGIP are treated as cash in the financial statements.

Investments held as of December 31, 2013, and investment activity for the year excluding investments with the State Treasures' Investment Pool was as follows:

Description	Balance 12-31-12	Purchases	Sales	Balance 12/31/13
Federal Farm Credit Bank	\$ 500,000		\$ 500,000	\$ 0
FNMA	1,000,000		1,000,000	0
FNMA	500,000		500,000	0
FHLMC	1,000,000			1,000,000
FNMA	1,000,000		1,000,000	0
FCSB	500,000		500,000	0
Skagit County Hospital	500,000			500,000
FICO Strip	203,414			203,414
FCSB	1,000,000			1,000,000
FHLMC	500,000		500,000	0
FCSB		\$1,000,000		1,000,000
FHLMC		1,000,000	1,000,000	0
Port of Seattle		500,000		500,000
Clark County PUD #1		171,424		171,424
FNMA		500,000		500,000
FCSB		500,000		500,000
FCSB		1,000,000		1,000,000
Clark County		200,000		200,000
FHLB		500,000	500,000	0
FNMA		500,000		500,000
FNMA		250,000	250,000	0
FHLMC		500,000		500,000
FHLMC		500,000		500,000
FHLB		500,000		500,000
FHLB		500,000		500,000
FHLMC		500,000		500,000
Grant County Utility #2		100,000		100,000
Total	\$6,703,414	\$8,721,424	\$5,750,000	\$9,674,838

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, 2013 and excluding the LGIP pool investments, the Town's investments carried the following interest rates.

Description	Balance 12-31-13	Interest Rate	Comments
FHLMC	1,000,000	.80	Called 2/24/2014
Skagit County Hospital	500,000	5.50	
FICO Strip	203,414	.451	Matured 5/2/2014
FCSB	1,000,000	.30	Called 1/21/2014
FCSB	1,000,000	.40	
Port of Seattle	500,000	.46	Noncallable
Clark County PUD #1	171,424	5.00	Noncallable
FNMA	500,000	.75	
FCSB	500,000	.32	
FCSB	1,000,000	.32	
Clark County	200,000	4.00	Noncallable
FNMA	500,000	.40	Called 3/18/2014
FHLMC	500,000	.85	
FHLMC	500,000	.45	
FHLB	500,000	.50	Called 4/4/2014
FHLB	500,000	.40	
FHLMC	500,000	.50	
Grant County Utility #2	100,000	3.00	
Total	\$9,674,838		

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

Cash and Cash Equivalents reconcile to the Statement of Net Position as follows:

Statement of Net Position:	
Current Assets:	\$5,147,666
Restricted Assets:	162,275
Subtotal:	\$5,309,941
Statement of Fiduciary Net Assets:	187,656
Total:	<u>\$5,497,597</u>
Detailed Support:	
State Treasurer:	\$4,656,844
Key Bank:	837,922
Key Bank – Benefits:	2,281
Cash on Hand:	550
Total:	<u>\$5,497,597</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 2013, 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 2013, the Town's regular tax levy was approximately \$2.99 per \$1,000 for a regular levy of \$1,765,794 and a special EMS levy of approximately \$.50 per \$1,000 for a special levy of \$295,232.

The regular levy taxable value base as of December 31, 2013 for levies in 2014 was \$611,557,171.

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 Position.

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 are capitalized.

Changes in the Governmental Capital Asset Account for 2013 were:

CATEGORY	BALANCE 12-31-12	2013 ADDITIONS	2013 DELETIONS	BALANCE 12-31-13	ACCUM. DEPREC.	NET VALUE 12-31-13
Land	\$ 4,685,195	\$ 162,000		\$ 4,847,195		\$ 4,847,195
Buildings	5,707,862	125,803		5,833,665	4,356,694	1,476,971
Equipment						
Gen. Gov't	674,459		235,000	439,459	270,733	168,726
I/S Allocated	363,087	19,683		382,770	288,827	93,943
Infrastructure	15,179,110	618,114		15,797,224	7,911,027	7,886,197
Total	\$ 26,609,713	\$925,600	\$235,000	\$27,300,313	\$12,827,281	\$14,473,032

Calendar year 2013 additions primarily are comprised of the acquisition of the Cherrydale Woods property and property for the Sequash Street reconstruction, a new roof on the Public Works Building, disposition of a fire engine, acquisition and disposition of equipment; and construction of street infrastructure.

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 2012 were:

Internal Service Funds:

CATEGORY	BALANCE 12-31-12	2013 ADDITIONS	2013 DELETIONS	BALANCE 12-31-12
Equipment	1,578,641	85,576		1,664,217
Accumulated Depreciation	(1,145,449)	(110,326)		(1,255,775)
Net	433,192	(24,750)		408,442

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 12-31-12	2013 ADDITIONS	2013 DELETIONS	BALANCE 12-31-12
Capital Assets	4,505,040	902,305		5,407,345
Accumulated Depreciation	(2,487,340)	(195,814)		(2,683,154)
Net	2,017,700	706,491		2,724,191

Sewer Utility:

CATEGORY	BALANCE 12-31-12	2013 ADDITIONS	2013 DELETIONS	BALANCE 12-31-12
Capital Assets	9,723,394	223,858		9,947,252
Accumulated Depreciation	(4,312,303)	(215,504)		(4,527,807)
Net	5,411,091	8,354		5,419,445

Water Utility:

CATEGORY	BALANCE 12-31-12	2013 ADDITIONS	2013 DELETIONS	BALANCE 12-31-13
Capital Assets	4,121,997	251,653		4,373,650
Accumulated Depreciation	(1,550,292)	(81,041)		(1,631,333)
Net	2,571,705	170,612		2,742,317

Storm Drain Utility:

CATEGORY	BALANCE 12-31-12	2013 ADDITIONS	2013 DELETIONS	BALANCE 12-31-13
Capital Assets	4,583,664	162,127		4,745,791
Accumulated Depreciation	(1,096,291)	(97,794)		(1,194,085)
Net	3,487,373	64,333		3,551,706

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 Washington State 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

or it may be downloaded from the DRS website at www.drs.wa.gov.

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 3Plan Description

The Legislature established PERS in 1947.

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees

of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. 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 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 exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 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. The benefit 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, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit 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 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of 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 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. 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 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age 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 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, if hired prior to May 1, 2013:

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

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; 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 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- 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.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option. 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 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These 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 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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 the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an 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 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There were 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

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 current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** Plan 3 defined benefit portion only.
- ***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
2013	7,882	134,892	10,995
2012	7,757	116,046	7,203
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	

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

Plan Description

LEOFF was established in 1970 by the Legislature. Membership 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, with Department of Fish and Wildlife enforcement officers, who were first included 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.

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.

LEOFF 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 legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS 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 there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. 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 benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent 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 catastrophically 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 percent 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 benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent 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 their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by 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 eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors. 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, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled To But Not Yet Receiving Bene	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total	27,784

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.59%.

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:

YEAR	LEOFF 1	LEOFF II
2013	0	33,844
2012	0	39,949
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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, 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.

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, 2013 the Town has no external short-term debt not discussed in Note XI.

NOTE XI - LONG-TERM DEBT

The Town of Steilacoom previously issued debt for constructing utility improvements. During 2013, the Town called the one outstanding bond issue. As of December 31, 2013, the Town had no outstanding loans or bonded debt.

Changes in long-term debt (bonds and loans and excluding compensated absences and other post-employment benefits (OPEB)) occurring in 2013 were as follows:

BEGINNING BALANCE	ADJUSTMENT	PRINCIPAL	INTEREST PAID	TOTAL PAYMENT	NEW DEBT	ENDING BALANCE
2,575,000		2,575,000	60,353	2,635,353		0

Changes in the governmental long-term debt for 2013 were as follows:

	BEGINNING BALANCE	NET CHANGE	ENDING BALANCE
Compensated Absences	80,937	(7,093)	73,844
OPEB	282,728	(1,261)	281,467
Subtotal	363,665	(8,354)	355,311

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 2012 were as follows:

	BEGINNING BALANCE	NET CHANGES	REDUCTIONS	ENDING BALANCE
Sewer Utility	2,575,000		2,575,000	0
Subtotal	2,575,000		2,575,000	0
Compensated Absences	36,642	5,705		42,347
Total	2,611,642	5,705	2,575,000	42,347

NOTE XII - CLAIMS AND JUDGMENTS

On December 31, 2013 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 \$2,781,851 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 2012 nor were there any balances outstanding as of December 31, 2012.

During 2013, 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 2013.

FUND	TRANSFER IN	TRANSFER OUT
General	\$528,240	
Electric		\$172,308
Water		143,940
Sewer		156,168
Storm		55,824
Total	\$528,240	\$528,240

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		\$18,756
Electric	\$ 9,948	
Water	8,808	
Total	\$18,756	\$18,756

The Town also transferred resources from the utility funds to the Capital Projects Fund to cover their share of the costs of installing infrastructure done in conjunction with various road projects.

FUND	TRANSFER IN	TRANSFER OUT
Capital Projects	\$769,203	
Electric		\$131,566
Water		251,653
Sewer		223,858
Storm		162,126
Total	\$769,203	\$769,203

NOTE XVI - SEGMENT INFORMATION

The Town of Steilacoom operated four utilities during 2013. These utilities were Electric, Water, Sewer, and Storm.

Key financial data for the year ended December 31, 2013 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, 2013, the Town of Steilacoom was not a participant in any type of joint ventures.

NOTE XVIII - 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 2013.

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:

	2013	2012	2011	2010	2009	2008
Actuarial Accrued Liability	\$248,933	\$245,425	\$261,977	\$268,576	\$284,417	\$308,276
Annual Required Contribution	23,179	23,784	24,394	25,008	26,520	26,705
Annual OPEB Cost:	9,576	10,175	10,810	11,305	26,520	26,705
Net OPEB Obligation:	281,467	282,726	282,848	282,333	9,660	12,805

The Town booked the entire estimated actuarial accrued liability of \$281,467 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 2013, the following medical expenses were incurred and paid for by the Town for the one qualifying individual:

Medical Insurance Premiums:	\$ 3,476
Reimbursed Medical Costs (prescriptions, etc)	4,971
Long-Term Care Premiums:	<u>2,390</u>
Total:	<u>\$10,837</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. Retirees of the Town receiving medical benefits from the Trust may have chosen and contribute the following monthly amounts:

Health First 1000:

- \$830.01 for non-Medicare enrolled retiree coverage.
- \$837.26 for non-Medicare enrolled spouse coverage.
- \$443.30 for Medicare enrolled retiree coverage.
- \$456.13 for Medicare enrolled spouse coverage.

Health Fire 2500:

- \$724.72 for non-Medicare enrolled retiree coverage.
- \$729.99 for non-Medicare enrolled spouse coverage.
- \$388.08 for Medicare enrolled retiree coverage.
- \$398.04 for Medicare enrolled spouse 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, 2013.

**TOWN OF STEILACOOM
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town of Steilacoom provided post-retirement healthcare benefits to one retiree during 2014.

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:

	2014	2013	2012	2011	2010
Actuarial Accrued Liability	\$242,411	\$248,933	\$255,425	\$261,977	\$268,576
Annual Required Contribution	22,572	23,179	23,784	24,394	25,008
Annual OPEB Cost:	9,029	9,576	10,175	10,810	11,305
Net OPEB Obligation:	277,967	281,467	282,726	282,848	282,333

The Town booked the entire estimated actuarial accrued liability of \$277,967 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 2014, the following medical expenses were incurred and paid for by the Town for the one qualifying individual:

Medical Insurance Premiums:	\$ 3,744
Reimbursed Medical Costs (prescriptions, etc)	5,946
Long-Term Care Premiums:	<u>2,839</u>
Total:	<u>\$12,529</u>

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- \$837.26 for non-Medicare enrolled spouse coverage.
- \$443.30 for Medicare enrolled retiree coverage.
- \$456.13 for Medicare enrolled spouse coverage.

Health Fire 2500:

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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.

**TOWN OF STEILACOOM
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

	2013	2012	2011	2010	2009
Actuarial Accrued Liability	\$248,933	\$255,425	\$261,977	\$268,576	\$284,417
Annual Required Contribution	23,179	23,784	24,394	25,008	26,520
Annual OPEB Cost:	9,576	10,175	10,810	11,305	26,520
Net OPEB Obligation:	281,467	282,726	282,848	282,333	9,660

The Town booked the entire estimated actuarial accrued liability of \$281,467 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 2013, the following medical expenses were incurred and paid for by the Town for the one qualifying individual:

Medical Insurance Premiums:	\$ 3,476
Reimbursed Medical Costs (prescriptions, etc)	4,971
Long-Term Care Premiums:	<u>2,390</u>
Total:	<u>\$10,837</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.

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ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Deputy Director for Communications	Adam Wilson Adam.Wilson@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov