Basic Financial Statements

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 45,658,563	$ 22,041,555	$ 67,700,118
Receivables			
Taxes	7,479,646	0	7,479,646
Customer accounts	4,799,737	4,385,985	9,185,722
Special assessments	5,113	0	5,113
Notes/contract/loans receivable	267,631	0	267,631
Other receivables	502,255	370,349	872,604
Other Governmental Units	1,707,805	176,744	1,884,549
Inventories	214,623	141,316	355,939
Other current assets	150,194	1,650	151,844
Total Current Assets	60,785,567	27,117,599	87,903,166
Non-Current Assets:			
Restricted cash and cash equivalents	0	438,233	438,233
Special assessments	41,565	0	41,565
Notes/Contract/Loans Receivable	7,886,555	0	7,886,555
Investment in Joint Venture	952,819	0	952,819
Unamortized Debt Issue Costs	0	189,956	189,956
Net Pension Obligation	516,221	0	516,221
Capital Assets			
Capital assets not being depreciated	154,720,614	23,917,194	178,637,808
Depreciable Assets, net	88,178,062	80,688,148	168,866,210
Total Non-Current Assets	252,295,836	105,233,531	357,529,367
Total assets	313,081,403	132,351,130	445,432,533
LIABILITIES			
Current Liabilities			
Accounts Payable	2,821,896	1,393,649	4,215,545
Contracts Retainage Payable	1,616,578	301,419	1,917,997
Matured Interest Payable	0	121,531	121,531
Due to Other Governmental Units	8,583	18,929	27,512
Interfund Loan from Firemans' Pension Fund	241,668	0	241,668
Custodial Accounts	269,537	12,101	281,638
Wages Payable	1,898,390	340,648	2,239,038
Other Current Liabilities	1,034,149	179,375	1,213,524
Unearned Revenue	8,302,923	0	8,302,923
Unamortized Bond Premium	0	52,819	52,819
Compensated Absences (current portion)	2,709,466	590,734	3,300,200
Notes and Bonds Due within one year	2,858,543	1,149,967	4,008,510
Total Current Liabilities	21,761,733	4,161,172	25,922,905
Non-current liabilities			
Net OPEB Obligation	2,297,715	0	2,297,715
Compensated Absences	1,270,771	37,661	1,308,432
Notes and Bonds Due in more than one year	72,261,441	18,801,931	91,063,372
Total Non-current liabilities	75,829,927	18,839,592	94,669,519
Total liabilities	97,591,660	23,000,764	120,592,424
NET ASSETS			
Invested in capital assets, net of related debt	169,351,088	84,653,446	254,004,534
Restricted for:			
Capital projects	3,189,757	438,233	3,627,990
Impact Fees	4,418,340	0	4,418,340
Washington Center	75,498	0	75,498
Lodging Tax	188,771	0	188,771
Transportation, Parking, and Parks	5,516,824	0	5,516,824
HUD Programs	155,612	0	155,612
Other Purposes	1,482,550	0	1,482,550
Debt Services	366,667	0	366,667
Workers' Comp Reserve	58,395	0	58,395
Unrestricted	30,686,241	24,258,687	54,944,928
Total net assets	$ 215,489,743	$ 109,350,366	$ 324,840,109

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	$ 17,113,615	$ 11,676,549	$ 2,312,935	$ 0	$ (3,124,131)	$ 0	$ (3,124,131)
Public Safety	27,790,718	444,904	2,529,596	0	(24,816,218)	0	(24,816,218)
Physical Environment	7,328,123	3,806,748	1,082,169	0	(2,439,206)	0	(2,439,206)
Transportation	6,025,209	380,084	0	2,917,224	(2,727,901)	0	(2,727,901)
Economic Environment	3,173,039	0	0	0	(3,173,039)	0	(3,173,039)
Mental And Physical Health	16,848	0	0	0	(16,848)	0	(16,848)
Culture and Recreation	7,453,770	588,179	13,132	0	(6,852,459)	0	(6,852,459)
Interest on Long Term Debt	3,704,209	0	0	0	(3,704,209)	0	(3,704,209)
Total Governmental Activities	72,605,531	16,896,464	5,937,832	2,917,224	(46,854,011)	0	(46,854,011)
BUSINESS-TYPE ACTIVITIES							
Water/Sewer	24,469,083	24,226,688	599,453	244,850	0	601,908	601,908
Solid Waste	8,384,390	8,408,548	0	0	0	24,158	24,158
Storm and Surface Water	4,105,731	4,478,690	615,656	340,150	0	1,328,765	1,328,765
Total Business-Type Activities	36,959,204	37,113,926	1,215,109	585,000	0	1,954,831	1,954,831
Total Government	$ 109,564,735	$ 54,010,390	$ 7,152,941	$ 3,502,224	$ (46,854,011)	$ 1,954,831	$ (44,899,180)

General Revenues	Governmental Activities	Business-Type Activities	Total
Taxes			
Property taxes, levied for general purposes	16,533,310	0	16,533,310
Property taxes, levied for debt service	3,511,376	0	3,511,376
Utility / B&O Taxes	17,797,769	0	17,797,769
Sales and other taxes	17,274,548	0	17,274,548
Investment Earnings	285,466	45,306	330,772
Other	3,147,102	3,226,824	6,373,926
Special Item - - Court Fines and Taxes previously reported as Deferred Revenue	4,881,732		4,881,732
Transfers	(155,123)	155,123	0
Total general revenues and transfers	63,276,180	3,427,253	66,703,433
Change in net assets	16,422,169	5,382,084	21,804,253
Net Assets – beginning	199,067,574	103,968,282	303,035,856
Net Assets – ending	215,489,743	109,350,366	324,840,109

The accompanying notes are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	H.U.D Loan Repayment	Impact Fees	Lodging Tax	Transportation Benefit District	Capital Improvement	Fire Station Construction	Other Governmental	Total Governmental Funds
ASSETS									
Cash and cash equivalents	$ 17,694,605	$ 178,105	$ 4,844,842	$ 197,251	$ 935,847	$ 4,598,448	$ 3,145,269	$ 9,539,280	$ 41,133,647
Receivables									
Taxes	222,052	0	0	0	0	0	0	0	222,052
Customer accounts	4,799,737	0	0	0	0	0	0	0	4,799,737
Special assessments	0	0	0	0	0	0	0	5,113	5,113
Notes/contract/loans receivable	137,005	130,626	0	0	0	0	0	0	267,631
Other receivables	400,440	0	0	248	0	44,442	0	57,125	502,255
Other Governmental Units	354,506	0	0	0	0	1,351,495	0	1,804	1,707,805
Prepayments	95,197	0	0	0	0	0	0	0	95,197
Notes/Contract/Loans Receivable	2,583,125	5,303,430	0	0	0	0	0	41,565	7,928,120
Total assets	26,286,667	5,612,161	4,844,842	197,499	935,847	5,994,385	3,145,269	9,644,887	56,661,557
LIABILITIES									
Accounts Payable	1,910,103	64,948	426,502	8,728	0	24,548	0	314,446	2,749,275
Wages Payable	1,809,985	0	0	0	1,165	21,508	6,016	33,754	1,872,428
Contracts Retainage Payable	97,409	0	0	0	0	747,183	402,102	369,884	1,616,578
Due to Other Governmental Units	0	5,395	0	0	0	0	0	0	5,395
Custodial Accounts	269,537	0	0	0	0	0	0	0	269,537
Other Current Liabilities	362,224	0	0	0	0	0	0	0	362,224
Interfund Loan Payable	241,668	0	0	0	0	0	0	0	241,668
Deferred revenue	4,952,836	0	0	0	0	0	0	0	4,952,836
Unearned revenue	2,822,189	5,434,056						46,678	8,302,923
Total liabilities	12,465,951	5,504,399	426,502	8,728	1,165	793,239	408,118	764,762	20,372,864
FUND BALANCE									
Nonspendable	98,147	0	0	0	0	0	0	0	98,147
Restricted	345,035	107,762	4,418,340	188,771	934,682	0	2,737,151	6,564,269	15,296,010
Committed	1,793,280	0	0	0	0	0	0	2,252,446	4,045,726
Assigned	5,083,083	0	0	0	0	5,201,146	0	63,410	10,347,639
Unassigned	6,501,171	0	0	0	0	0	0	0	6,501,171
Total Fund Balance	13,820,716	107,762	4,418,340	188,771	934,682	5,201,146	2,737,151	8,880,125	36,288,693
TOTAL LIABILITIES AND FUND BALANCE	$ 26,286,667	$ 5,612,161	$ 4,844,842	$ 197,499	$ 935,847	$ 5,994,385	$ 3,145,269	$ 9,644,887	$ 56,661,557

The accompanying notes are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	H.U.D Loan Repayment	Impact Fees	Lodging Tax	Transportation Benefit District	Capital Improvement	Fire Station Construction	Other Governmental	Total Governmental Funds
ASSETS									
Cash and cash equivalents	$ 17,694,605	$ 178,105	$ 4,844,842	$ 197,251	$ 935,847	$ 4,598,448	$ 3,145,269	$ 9,539,280	$ 41,133,647
Receivables									
Taxes	222,052	0	0	0	0	0	0	0	222,052
Customer accounts	4,799,737	0	0	0	0	0	0	0	4,799,737
Special assessments	0	0	0	0	0	0	0	5,113	5,113
Notes/contract/loans receivable	137,005	130,626	0	0	0	0	0	0	267,631
Other receivables	400,440	0	0	248	0	44,442	0	57,125	502,255
Other Governmental Units	354,506	0	0	0	0	1,351,495	0	1,804	1,707,805
Prepayments	95,197	0	0	0	0	0	0	0	95,197
Notes/Contract/Loans Receivable	2,583,125	5,303,430	0	0	0	0	0	41,565	7,928,120
Total assets	26,286,667	5,612,161	4,844,842	197,499	935,847	5,994,385	3,145,269	9,644,887	56,661,557
LIABILITIES									
Accounts Payable	1,910,103	64,948	426,502	8,728	0	24,548	0	314,446	2,749,275
Wages Payable	1,809,985	0	0	0	1,165	21,508	6,016	33,754	1,872,428
Contracts Retainage Payable	97,409	0	0	0	0	747,183	402,102	369,884	1,616,578
Due to Other Governmental Units	0	5,395	0	0	0	0	0	0	5,395
Custodial Accounts	269,537	0	0	0	0	0	0	0	269,537
Other Current Liabilities	362,224	0	0	0	0	0	0	0	362,224
Interfund Loan Payable	241,668	0	0	0	0	0	0	0	241,668
Deferred revenue	4,952,836	0	0	0	0	0	0	0	4,952,836
Unearned revenue	2,822,189	5,434,056						46,678	8,302,923
Total liabilities	12,465,951	5,504,399	426,502	8,728	1,165	793,239	408,118	764,762	20,372,864
FUND BALANCE									
Nonspendable	98,147	0	0	0	0	0	0	0	98,147
Restricted	345,035	107,762	4,418,340	188,771	934,682	0	2,737,151	6,564,269	15,296,010
Committed	1,793,280	0	0	0	0	0	0	2,252,446	4,045,726
Assigned	5,083,083	0	0	0	0	5,201,146	0	63,410	10,347,639
Unassigned	6,501,171	0	0	0	0	0	0	0	6,501,171
Total Fund Balance	13,820,716	107,762	4,418,340	188,771	934,682	5,201,146	2,737,151	8,880,125	36,288,693
TOTAL LIABILITIES AND FUND BALANCE	$ 26,286,667	$ 5,612,161	$ 4,844,842	$ 197,499	$ 935,847	$ 5,994,385	$ 3,145,269	$ 9,644,887	$ 56,661,557

The accompanying notes are an integral part of this statement.

RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Fund Balances - Total Governmental Funds	$ 36,288,693
Capital assets not reported in the governmental funds	238,022,764
Investment in Joint Venture not reported in the governmental funds	952,819
Assets and liabilities of Internal Service funds not reported in governmental funds	9,048,533
Accrued Interest on GO Debt not reported in governmental funds	(185,527)
Long term assets not available to pay current period expenditures and therefore are deferred in the governmental funds.	
Deferred revenues:	
Property tax receivable	199,206
Non-Exchange transactions not reported in the governmental funds	7,257,594
Local court revenue receivable	4,753,629
Long term debt not reported in governmental funds	
Bonds and Notes	(66,312,237)
Loans and BANS	(3,830,528)
Public Works Trust Fund Loans	(4,977,218)
Compensated Absences	(3,946,491)
Net Pension Obligation and OPEB	(1,781,494)
Net Assets of Governmental Activities	$ 215,489,743

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

	General	H.U.D.	Impact Fees	Lodging Tax	Transportation Benefit District	Capital Improvement	Fire Station Construction	Other Governmental	Total Governmental Funds
REVENUES									
Taxes	$ 38,905,449	$ 0	$ 0	$ 472,893	$ 0	$ 1,040,052	$ 0	$ 7,423,993	$ 47,842,387
Licenses and Permits	3,799,964	0	0	0	0	850	0	0	3,800,814
Intergovernmental Revenues	4,197,299	0	0	0	0	2,727,705	0	1,775,817	8,700,821
Charges for Services	9,190,583	0	2,124,715	0	677,155	0	0	(234,041)	11,758,412
Fines and Forfeits	1,283,156	0	0	0	0	0	0	0	1,283,156
Miscellaneous Revenues	2,344,061	77,389	8,551	294	1,033	40,290	9,720	163,288	2,644,626
Total Revenues	59,720,512	77,389	2,133,266	473,187	678,188	3,808,897	9,720	9,129,057	76,030,216
EXPENDITURES									
Current:									
General Government Services	15,318,301	0	0	0	32,672	50,000	0	909,827	16,310,800
Security of Persons & Property	27,084,415	0	0	0	0	0	1,929	706	27,087,050
Utilities & Environment	4,811,364	0	0	0	0	1,537,815	0	334,505	6,683,684
Transportation	3,887,125	0	0	0	0	57,202	0	0	3,944,327
Economic Environment	2,557,288	117,504	0	143,000	0	77,628	0	273,584	3,169,004
Mental and Physical Health	16,848	0	0	0	0	0	0	0	16,848
Culture and Recreation	4,862,241	0	0	3,500	0	1,810,498	0	622,120	7,298,359
Debt Service:									
Principal Retirement	0	0	0	0	0	51,663	0	2,777,454	2,829,117
Interest	19,692	0	0	0	0	1,033	0	3,692,868	3,713,593
Capital Outlays	2,272,793	0	0	0	0	11,397,655	5,434,157	5,576,171	24,680,776
Total Expenditures	60,830,067	117,504	0	146,500	32,672	14,983,494	5,436,086	14,187,235	95,733,558
Excess (Deficiency) of revenues over expenditures	(1,109,555)	(40,115)	2,133,266	326,687	645,516	(11,174,597)	(5,426,366)	(5,058,178)	(19,703,342)
OTHER FINANCING SOURCES (USES)									
Transfers - In	1,960,962	0	0	0	0	7,914,392	0	2,337,600	12,212,954
Transfers - Out	(962,881)	0	(3,366,665)	(263,530)	0	(464,700)	0	(6,158,581)	(11,216,357)
Debt Proceeds	0	0	0	0	0	2,500,000	0	0	2,500,000
Sale of Capital Assets	21,651	0	0	0	0	0	0	766,293	787,944
Total Other Financing Sources (Uses)	1,019,732	0	(3,366,665)	(263,530)	0	9,949,692	0	(3,054,688)	4,284,541
Net change in fund balances	(89,823)	(40,115)	(1,233,399)	63,157	645,516	(1,224,905)	(5,426,366)	(8,112,866)	(15,418,801)
FUND BALANCE JANUARY 1	13,910,539	147,877	5,651,739	125,614	289,166	6,426,051	8,163,517	16,992,991	51,707,494
Prior Period Adjustment									
FUND BALANCE DECEMBER 31	$ 13,820,716	$ 107,762	$ 4,418,340	$ 188,771	$ 934,682	$ 5,201,146	$ 2,737,151	$ 8,880,125	$ 36,288,693

The accompanying notes are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2011

Net Changes in Fund Balances - Total Governmental Funds	$ (15,418,801)
Repayment of bond principal is reported as an expenditure in governmental funds and as a reduction of debt in the statement of net assets.	2,829,117
Gain / (Loss) on Assets formerly not listed in Governmental Funds	(15,789)
(Increase) / Decrease in Compensated Absences not listed in Governmental Funds	(148,796)
Purchase of Capital Assets are treated as an expenditure in governmental funds.	28,547,728
Donated capital Assets not included in Fund Statements - Current Year	154,235
Revenues not reported in Governmental Funds:	
Deferred Revenue - property and other taxes	199,206
Non-Exchange transactions not reported in the governmental funds	7,257,594
Deferred Revenue - court receivables	4,753,629
Internal service funds net income is not reported in governmental funds.	(1,120,959)
Depreciation of capital assets not reported in governmental funds	(7,361,707)
Long Term Debt Proceeds treated as revenue in Governmental Funds	(2,500,000)
Interest accrued on Governmental LT Debt not accrued on Governmental Statements	9,384
Change in Net Pension Obligation not treated as an expenditure in Governmental Funds	(556,780)
Allocated Internal Service portion of Transfers to/from Business Type Activities	(205,892)
Change in Net Assets of Governmental Activities	$ 16,422,169

The accompanying notes are an integral part of this statement.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-Type Activities Enterprise Funds				
	Drinking Water Wastewater Utility	Waste ReSources Utility	Storm and Surface Water Utility	Total	Governmental Activities Internal Service
ASSETS					
Current Assets					
Cash and cash equivalents	$ 13,478,264	$ 2,481,646	$ 6,081,645	$ 22,041,555	$ 4,524,916
Receivables					
Taxes				0	0
Customer accounts	2,913,700	930,172	542,113	4,385,985	0
Other receivables	192,399	177,950	0	370,349	0
Other Governmental Units	0	0	176,744	176,744	0
Inventories	141,316	0	0	141,316	214,623
Other current assets	1,650	0	0	1,650	54,997
Restricted cash	438,233	0	0	438,233	0
Total Current Assets	17,165,562	3,589,768	6,800,502	27,555,832	4,794,536
Noncurrent Assets					
Capital assets, net	81,693,466	46,015	22,865,861	104,605,342	4,875,912
Unamortized Debt Issue Costs	189,956	0	0	189,956	0
Total Noncurrent Assets	81,883,422	46,015	22,865,861	104,795,298	4,875,912
Total Assets	99,048,984	3,635,783	29,666,363	132,351,130	9,670,448
LIABILITIES					
Current Liabilities					
Accounts Payable	1,000,692	270,608	122,349	1,393,649	72,621
Contracts Retainage Payable	192,901	0	108,518	301,419	0
Matured Interest Payable	118,786	0	2,745	121,531	0
Due to Other Governmental Units	0	18,929	0	18,929	3,188
Unamortized Bond Premium	52,819	0	0	52,819	0
Custodial Accounts	12,101	0	0	12,101	0
Wages Payable	179,442	96,149	65,057	340,648	25,962
Other Current Liabilities	179,375	0	0	179,375	486,398
Compensated Absences (current portion)	265,159	231,865	93,710	590,734	33,746
Bonds, notes and loans payable	1,044,384	0	99,479	1,143,863	0
Total Current Liabilities	3,045,659	617,551	491,858	4,155,068	621,915
Noncurrent Liabilities					
Compensated absences	16,203	0	21,459	37,662	0
Bonds, notes and loans payable	17,560,267	0	1,247,767	18,808,034	0
Total Noncurrent Liabilities	17,576,470	0	1,269,226	18,845,696	0
Total liabilities	20,622,129	617,551	1,761,084	23,000,764	621,915
NET ASSETS					
Invested in capital assets, net of related debt	63,088,816	46,015	21,518,615	84,653,446	4,875,912
Restricted for:					
Other purposes	438,233	0	0	438,233	0
Workers Comp Reserve	0	0	0	0	58,395
Unrestricted (deficit)	14,899,806	2,972,217	6,386,664	24,258,687	4,114,226
Total net assets	$ 78,426,855	$ 3,018,232	$ 27,905,279	$ 109,350,366	$ 9,048,533

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2011

	Business-Type Activities Enterprise Funds				
	Drinking Water Wastewater	Waste ReSources	Storm and Surface Water Utility	Total	Governmental Activities Internal Service
OPERATING REVENUES					
Charges for Service	$ 24,226,687	$ 8,408,548	$ 4,478,690	$ 37,113,925	$ 4,732,601
Intergovernmental Revenue	599,454	0	615,656	1,215,110	2,000
Miscellaneous Revenue	2,718,751	179,906	328,167	3,226,824	0
Total Operating Revenues	27,544,892	8,588,454	5,422,513	41,555,859	4,734,601
OPERATING EXPENSES					
Operation and Maintenance	12,951,642	5,740,915	1,119,386	19,811,943	1,110,641
Administration and Overhead	4,702,776	1,625,075	1,877,699	8,205,550	2,717,305
Taxes	3,074,768	1,014,706	509,976	4,599,450	0
Depreciation and Amortization	2,978,612	3,694	591,808	3,574,114	1,242,752
Total Operating Expenses	23,707,798	8,384,390	4,098,869	36,191,057	5,070,698
Operating Income (Loss)	3,837,094	204,064	1,323,644	5,364,802	(336,097)
Non-Operating Revenues (Expenses)					
Investment Earnings	30,499	4,393	10,414	45,306	9,252
Loss on Disposal of Capital Assets	(39,326)	0	0	(39,326)	0
Other non-operating revenue (expenses)	0	0	0	0	42,941
Interest Expense and Fiscal Charges	(721,959)	0	(6,862)	(728,821)	0
Total Non-Operating Revenues (Expenses)	(730,786)	4,393	3,552	(722,841)	52,193
Net Income (Loss) Before Contirbutions and Operating Transfers	3,106,308	208,457	1,327,196	4,641,961	(283,904)
Capital Contributions	244,850	0	340,150	585,000	0
Transfers - In	151,403	0	54,489	205,892	0
Transfers - Out	(25,769)	(12,500)	(12,500)	(50,769)	(1,042,947)
Changes in Net Assets	3,476,792	195,957	1,709,335	5,382,084	(1,326,851)
Prior Period Adjustment	0	0	0	0	
Net Assets - Beginning	74,950,063	2,822,275	26,195,944	103,968,282	10,375,384
Net Assets - Ending	$ 78,426,855	$ 3,018,232	$ 27,905,279	$ 109,350,366	$ 9,048,533

The accompanying notes are an integral part of this statement.

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

	Business-Type Activities Enterprise Funds				
	Drinking Water Wastewater	Waste ReSources	Storm and Surface Water Utility	Totals	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers and Users	$ 27,143,333	$ 8,673,473	$ 5,496,692	$ 41,313,498	$ 4,734,601
Cash Paid to Suppliers	(14,649,805)	(5,845,263)	(1,759,386)	(22,254,454)	(3,675,853)
Cash Paid to Employees	(2,950,162)	(1,586,761)	(1,112,488)	(5,649,411)	(478,557)
Cash Paid for Taxes	(3,076,336)	(1,014,706)	(509,976)	(4,601,018)	0
Non-Insurance Loss Recovery	0	0	0	0	8,076
Insurance Loss Recovery	0	0	0	0	11,131
Net Cash Provided (Used by Operating Activities)	6,467,030	226,743	2,114,842	8,808,615	599,398
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers - In	151,403	0	54,489	205,892	0
Transfers - Out	(25,769)	(12,500)	(12,500)	(50,769)	(1,042,947)
Net Cash Provided from Non-Capital Activities	125,634	(12,500)	41,989	155,123	(1,042,947)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	(39,326)	0	0	(39,326)	23,733
Purchase of capital assets	0	0	0	0	(987,859)
Loan Proceeds	406,439	0	487,903	894,342	0
Acquisition and Construction of Capital Assets	(8,579,860)	(14,048)	(1,570,792)	(10,164,700)	0
Payment of Bond Principal	(905,000)	0	0	(905,000)	0
Payment of Bond Interest	(723,196)	0	0	(723,196)	0
Payment of Other Debt Principal	(135,834)	0	(99,479)	(235,313)	0
Payment of Other Interest	(6,542)	0	(8,235)	(14,777)	0
Net Cash Provided by Capital and Related Financing Activities	(9,983,319)	(14,048)	(1,190,603)	(11,187,970)	(964,126)
CASH FLOW FROM INVESTING ACTIVITIES					
Interest on Investments	30,499	4,393	10,414	45,306	9,252
Net Cash Provided (Used) by Investing Activities	30,499	4,393	10,414	45,306	9,252
Net Increase in Cash and Cash Equivalents	(3,360,156)	204,588	976,642	(2,178,926)	(1,398,423)
Cash and Cash Equivalents, January 1,	17,276,653	2,277,058	5,105,003	24,658,714	5,923,339
Cash and Cash Equivalents, December 31	$ 13,916,497	$ 2,481,646	$ 6,081,645	$ 22,479,788	$ 4,524,916

The accompanying notes are an integral part of this statement.

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

	Business-Type Activities Enterprise Funds				
	Drinking Water Wastewater	Waste ReSources	Storm and Surface Water Utility	Total	Governmental Activities Internal Service funds
CASH PROVIDED BY OPERATING ACTIVITIES:					
Net Operating Income (Loss)	$ 3,837,094	$ 204,064	$ 1,323,644	$ 5,364,802	$ (336,097)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Depreciation	2,978,612	3,694	591,808	3,574,114	1,242,752
Other Non-Operating Revenues					19,207
(Increase) Decrease in Accounts Receivable	(391,049)	75,150	(42,104)	(358,003)	0
(Increase) Decrease in Other Receivables	(10,510)	1,388	0	(9,122)	0
(Increase) Decrease in Inventory	1,700	0	0	1,700	35,694
(Increase) Decrease in Due from Other Governments	0	8,480	116,283	124,763	0
Increase (Decrease) in Compensated Absences	(27,907)	(16,770)	(3,597)	(48,274)	(10,560)
Increase (Decrease) in Accounts Payable	1,797	(52,578)	126,140	75,359	(350,823)
Increase (Decrease) in Due to Other Governments	0	122	0	122	(775)
Increase (Decrease) in Other Current Liabilities	77,293	3,193	2,668	83,154	0
Total Adjustments	2,629,936	22,679	791,198	3,443,813	935,495
Net Cash Provided by Operating Activities	$ 6,467,030	$ 226,743	$ 2,114,842	$ 8,808,615	$ 599,398
CASH AND CASH EQUIVALENTS					
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED AT DECEMBER 31					
Combined Balance Sheet:					
Cash and Residual Investments	$ 13,478,264	$ 2,481,646	$ 6,081,645	$ 22,041,555	$ 4,524,916
Restricted Assets:					
Capital Acquisition					
Cash and Residual Investments	438,233	0	0	438,233	0
Cash and Cash Equivalents, December 31	$ 13,916,497	$ 2,481,646	$ 6,081,645	$ 22,479,788	$ 4,524,916

The accompanying notes are an integral part of this statement.

TRUST AND AGENCY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	Firemens' Pension Plan	Private Purpose Trusts	Agency Funds
ASSETS			
Cash and Residual Investments	$ 1,014,726	$ 623,736	$ 21,923
Investments - US Government Securities	2,334,451	1,107,445	0
Receivables (Net of Allowances):			
Accrued Interest	34,483	12,691	0
Due from other governmental units	0	0	30,293
Other Receivables	0	0	38,000
Interfund Loans Receivable	241,668	0	0
Total Assets	$ 3,625,328	$ 1,743,872	$ 90,216
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	447	0	2,491
Other Current Liabilities	0	0	36,686
Due to Other Governments	0	0	51,039
Total Liabilities	447	0	90,216
NET ASSETS			
Held in Trust for Pension Benefits and other purposes	$ 3,624,881	$ 1,743,872	$ 0

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	Employee Retirement Plans	Private Purpose Trusts
ADDITIONS		
Employer Contributions	$ 738,000	$ 0
State Contributions		
Fire Insurance Premium Tax	79,633	0
Total Contributions	817,633	0
Investment Earnings		
Investment Income	60,160	33,768
Net Investment Earnings	60,160	33,768
Total additions	877,793	33,768
DEDUCTIONS		
Benefits	754,197	0
Transfers	0	108,773
Total Deductions	754,197	108,773
Change in net assets	123,596	(75,005)
Net assets - beginning of the year	3,501,285	1,818,877
Net assets - end of the year	$ 3,624,881	$ 1,743,872

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Olympia was incorporated on January 28, 1859 and operates under the laws of the state of Washington applicable to a Non-Charter Code City, Council/Manager form of government. Olympia is served by a full-time City Manager appointed by a part-time Council of seven members who are elected at-large to staggered/alternating, four-year terms, including the Mayor who is elected to position one of the Council. The City provides a full range of municipal services authorized by State law, such as public safety, highways and streets, parks and recreation, planning and zoning, permits and inspections, sanitation, general administration, and water and sewer services.

The City's Comprehensive Annual Financial Report (CAFR) includes the financial statements for the City of Olympia and its component units, entities for which the city is considered to be financially accountable. The city has one blended component unit, the Olympia Transportation Benefit District. Although legally separate entities blended component units are, in substance, part of the city's operations. (See Note 18 for descriptions.)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government (and its component units). 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 is reported separately from certain legally separate component units for which the primary government is financially accountable.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is 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 or 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.

In the process of consolidating government-wide financial statement of activities, interfund services provided are not eliminated.

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. Agency funds do not have a measurement focus. However they are reported using the accrual basis of accounting. 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 City of Olympia considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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 within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Olympia reports the following major governmental funds:

General Fund

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

H.U.D. Loan Repayment Fund

H.U.D. block grants, H.U.D shelter grants, and H.U.D. section 312 funds are accounted for within this fund.

Impact Fees Fund

This fund is used to accumulate impact fees imposed upon building activity. Fees are collected for parks and fire impacts. When the use of this money is approved, funds are transferred from this fund to the appropriate account in which the activity occurs. The City also collects impact fees for the Olympia School District and transmits those funds to the district on a monthly basis.

Lodging Tax Fund

This fund is used to account for the local option 2% tax on lodging authorized under RCW 67.28. This RCW states that all revenues collected under this chapter be accounted for in a special revenue fund.

Transportation Benefit District Fund

This fund is used to account for the $20 per vehicle registration fee authorized under RCW 36.73. Fees are collected for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district. This RCW states that all revenues collected under this chapter be accounted for in a special revenue fund.

Capital Improvement Fund

This fund was established to account for various general governmental capital projects which the City may choose to finance. Major sources of revenue include contributions from the General Fund, interest earnings, grants and a real estate excise tax.

Fire Station Construction Fund

This fund was established to account for the construction of the Fire Station and Fire Training Center. Major sources of revenue include contributions from impact fees and bonds.

The City reports the following major proprietary funds:

Water/Sewer Fund

The City operates a combined water and sewer utility. The utility has two major components; a water distribution system, sewer collection system.

Solid Waste Fund

The City Solid Waste Fund accounts for a solid waste and recycling collection system. The collection system operates only within the City. Waste is transported to a land fill which is owned and operated by Thurston County. The recyclable material is transported to various private recyclers.

Stormwater Fund

The City Stormwater Utility Fund accounts for planning, public involvement, education, construction, and maintenance activities necessary for environmentally appropriate storm and surface water management programs, improvements and facilities.

Additionally, the City reports the following fund types:

Internal service funds account for equipment rental, unemployment insurance, risk management and worker's compensation provided to other departments or agencies of the City, or to other cities, on a cost reimbursement basis.

The private-purpose trust fund is used to account for The Washington Center for the Performing Arts endowment. This endowment was established in 1985 from the sale of property owned by the City and money from this fund is used for the maintenance, operation, repair, upkeep or improvement of The Washington Center for the Performing Arts, or the remediation and sale of the property that was sold to fund the endowment. Disbursement from the fund shall be made by appropriation of the City Council directly for Washington Center purposes as set forth pursuant to an agreement with The Washington Center board of directors. Payments from the fund are not limited to the earnings of the fund, thus excluding it from being classified as a Permanent Fund.

The pension and other employee benefit trust fund is used to account for Firefighter's Pension. For additional information on the Firefighters Pension please see Note 7.B.1.

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

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. 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 Water/Sewer, Solid Waste and Stormwater are charges for service. Operating expenses for enterprise funds and internal service funds include the cost 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.

D. Budgetary Information

Scope of Budget

The City of Olympia budgets its funds in accordance with the Revised Code of Washington (RCW), paragraph 35A.33. In compliance with the code, annual appropriated budgets are adopted at the level of the fund, where expenditures may not exceed appropriations and the budgets constitute the legal authority for expenditure at that level. Annual appropriated budgets are adopted for the General fund, and active general obligation debt service funds (4th/5th Ave Bridge Fund 216, LTGO Parks Bond Fund 223, UTGO Fire Bond Fund 224, City Hall Debt Fund 225, LTGO Street Bond Fund 226, Local Debt Fund 227, and LTGO Hands on Children's Museum Bond Fund 228). Unexpended appropriations lapse at the end of the fiscal year. Budgets for debt service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrances accounting is employed in governmental funds. Encumbrances outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Amending the Budget

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The City Manager is authorized to transfer appropriations within a fund, however, an increase of the annual adopted budget require Council action and is done by ordinance. Individual transfers were not material in relation to original appropriations. During the year 2011, there were several supplementary appropriations totaling $107,058,159 which are distributed as follows:

General Fund $8,590,241 Special Revenue Funds $16,811,719, Debt Service Funds $ 0 , Capital Project Funds $41,213,844, Enterprise Funds $38,755,681, Internal Service Funds $1,322,372, and Expendable Trust Funds $364,302.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

E. Assets, Liabilities and Equities

Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2011, the treasurer was holding $68,138,351 In short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents In various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments (See Deposits and Investments Note No. 4)

Receivables

Taxes receivable consists of property taxes and related interest and penalties (See Property Taxes Note No.5). Accrued I nterest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2011, $5,113 of special assessments receivable were delinquent.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

Amounts Due to and from Other Funds and Governmental Units, Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." A Separate schedule of interfund loans receivable and payable is furnished in (Interfund Balances and Transfers Note No.1~~1~~3).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the FIFO method (which approximates the market value).

Prepayments are payments in advance of the receipt of goods and services in an exchange transaction and are recorded as an expenditure or expense only when consumed. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements.

Restricted Assets and Liabilities

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable, in enterprise funds. The current portion of related liabilities is shown as *Payables from Current Restricted Assets.* Specific Debt service reserve requirements are described in (Long-Term Debt Note No.9).

The restricted assets of the enterprise funds are composed of the following:

Cash and Investments - Debt Service	$	438,233

Capital Assets – (See Note 6)

Capital assets, which include: property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 to $50,000 depending on the asset and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

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

Property, plant, and equipment of the City are depreciated using the straight line method over the following useful lives:

Type of Asset	Number of Years
Buildings and Structures	20 - 30
Other Improvements	5
Machinery and Equipment	4 - 7
Infrastructure	15 - 30

Other Property and Investments - (See Note 4)

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation leave. All vacation is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Nonexempt employees (nonexempt to overtime pay) may accumulate up to 40 days while exempt employees may accumulate up to 60 vacation days. All outstanding vacation leave is payable upon resignation, retirement, or death.

Other Compensated Benefits

The City of Olympia self-insures unemployment compensation on a reimbursable basis to the State of Washington. The City utilizes the services of Talx UCM Services, to manage claims of the program. As of December 31, 2011 the Unemployment Compensation Fund had a fund balance of $365,023 which is equal to approximately 26 maximum liability claims (26 weeks at $583 per week).

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

Long-Term Liabilities - (See Note 9)

Deferred Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

Fund Balance Classification

In the fund financial statements, governmental funds report the following categories of fund balance:

Nonspendable:	Unavailable fund balance due to its form and legally or contractually required to remain intact.
Restricted:	Fund Balance that can only be used for specific purposes as stipulated by the constitution, external resource provider, or through enabling legislation.
Committed:	Fund Balance that can only be used for specific purposes as determined by formal action of the City Council.
Assigned:	Fund Balance that includes resources intended to be used by the City for specific purposes, as assigned by the City's Finance Committee, authorized by the City Council in the Fund Balance Policy approved on December 6, 2011.
Unassigned:	Fund Balance available for use within the General Fund that has not met the requirements of the above classifications.

The City's prioritization of fund balance use, as authorized by the City Council in the Fund Balance Policy, is as follows:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available for use, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts, unless otherwise approved by the Council.

Fund Balance Details

Fund Balance details for the year ended December 31, 2011 is listed on the following page.

FUND BALANCES:
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	H.U.D Loan Repayment	Impact Fees	Lodging Tax	TBD	Capital Improvement	Fire Station Construction	Other Governmental	Total Governmental Funds
Fund Balance:									
Nonspendable:									
Loans Receivable	$ 2,950	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,950
Pre-Payments	95,197	0	0	0	0	0	0	0	95,197
Total Nonspendable	98,147	0	0	0	0	0	0	0	98,147
Restricted for:									
Equipment and Facilities Reserve	0	0	0	0	0	0	2,737,151	0	2,737,151
Debt Service Reserve	0	0	0	0	0	0	0	366,668	366,668
HUD Housing Grants	0	107,762	0	0	0	0	0	47,850	155,612
Lodging & Tourism Benefit	0	0	0	188,771	0	0	0	0	188,771
Major Repairs and Maintenance	0	0	0	0	0	0	0	548,885	548,885
Parking Improvement	0	0	0	0	0	0	0	168,883	168,883
Parks & Roads Construction	0	0	4,418,340	0	0	0	0	0	4,418,340
Parks & Sidewalk Construction	0	0	0	0	0	0	0	4,413,259	4,413,259
Transportation Projects	0	0	0	0	934,682	0	0	1,018,724	1,953,406
WA Center for Performing Arts	75,498	0	0	0	0	0	0	0	75,498
Other Purpose	269,537	0	0	0	0	0	0	0	269,537
Total Restricted	345,035	107,762	4,418,340	188,771	934,682	0	2,737,151	6,564,269	15,296,010
Committed to:									
Debt Service	0	0	0	0	0	0	0	14,186	14,186
Equipment and Facilities Reserve	1,451,345	0	0	0	0	0	0	430,686	1,882,031
Municipal Arts	341,935	0	0	0	0	0	0	0	341,935
New City Hall	0	0	0	0	0	0	0	1,807,574	1,807,574
Total Committed	1,793,280	0	0	0	0	0	0	2,252,446	4,045,726
Assigned to:									
Facilities Repair Fund	1,494,564	0	0	0	0	0	0	0	1,494,564
Information Technology	200,000	0	0	0	0	0	0	0	200,000
Parking Purposes	168,314	0	0	0	0	0	0	0	168,314
Continuing Appropriations	2,934,045	0	0	0	0	5,201,146	0	63,410	8,198,601
Reserve Requirement	120,160	0	0	0	0	0	0	0	120,160
Community Renewal Area Project	80,000	0	0	0	0	0	0	0	80,000
LEOFF Funding	50,000	0	0	0	0	0	0	0	50,000
RMS Project Conversion	36,000	0	0	0	0	0	0	0	36,000
Total Assigned	5,083,083	0	0	0	0	5,201,146	0	63,410	10,347,639
Unassigned:	6,501,171	0	0	0	0	0	0	0	6,501,171
Fund Balance Total:	$ 13,820,716	$ 107,762	$ 4,418,340	$ 188,771	$ 934,682	$ 5,201,146	$ 2,737,151	$ 8,880,125	$ 36,288,693

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The governmental funds' balance sheet includes reconciliation between fund balance – total governmental funds and net assets–governmental activities as reported in the government-wide statement of net assets.

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

The governmental funds' statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits

The City's bank balances of deposits and certificates of deposits at December 31, 2011 are entirely insured. The Federal Depository Insurance Commission (FDIC) insures the City's deposits up to $250,000 and the Washington Public Deposit Protection Commission (WPDPC) insures amounts over $250,000.

B. Investments

As required by state law, all investments of the City's funds (except as noted below) are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer's Local Government Investment Pool, LGIP or certificates of deposit with Washington State banks and savings and loan institutions. All temporary investments are stated at fair market value.

Investment Type	Cost Amounts	Fair Value
Investment in State Treasurer's Investment Pool	64,841,864	64,841,864
Total Investments	$ 64,841,864	$ 64,841,864

The City as of December 31, 2011, had $64,841,864 in the LGIP, and was in compliance with all statutes pertaining to the investment of City monies. The fair value of the position in the investment pool is the same as the value of pool shares. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The State Treasurer created the LGIP Advisory Committee to provide advice on the operation of the pool. Of the twelve committee members, all of whom are active LGIP participants, eight members are appointed by participant associations, and four members are appointed by the State Treasurer. The LGIP Advisory Committee will meet at least quarterly; however, meetings may also be called at the discretion of the State Treasurer. As prescribed by RCW 43.09.050, the State Auditor will "audit the accounts" and "inspect the books" of the State Treasurer to determine the compliance of investment activities with state statutes and this policy. In addition, the LGIP will contract, through the State Auditor's Office, for an outside independent audit of LGIP financial statements. The LGIP is not rated by an outside agency.

Custodial Credit Risk: All security transactions including collateral for repurchase agreements shall be conducted on a delivery-versus-payment (DVP) basis. Securities purchased by the City shall be retained by the City or delivered against payment and held in a custodial safekeeping account with a bank. The safekeeping agent(s) shall be designated by the City Treasurer and all transactions shall be evidenced by safekeeping receipts. The City does not have a specific Custodial Credit Risk Policy.

Credit Risk: While the City does not have a written Credit Risk Policy, the City invests in securities identified as eligible investments as defined by State law (RCW 35A.40.050) “Fiscal – Investment of Funds”, as interpreted by the most current edition of the Office of the State Treasurer, State of Washington publication titled “Eligible Investments for Public Funds.” The city invests in securities issued by FHLB, FNMA and FHLMC. These are all rated A1 by Moody’s Investor Services and AA Stable by S&P. The City does not have a specific Credit Risk Policy.

Concentration of Credit Risk: Safety of the principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is usually required. The City does not have a specific Concentration of Credit Risk Policy.

Interest Rate Risk: The City’s investment portfolio shall be designed with the objective of attaining a maximum rate of return throughout budgetary and economic cycles, taking into account the City’s investment risk constraints, the cash flow characteristics of the portfolio and the fact the City utilizes a passive investment program. The City does not have a specific Interest Rate Risk Policy.

NOTE 5 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities.

Property Tax Calendar	
January 01	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year’s levy at 100 percent of market value.
October 31	Second installment is due.

In governmental funds, property taxes are recorded as a receivable when levied, offset by a deferred revenue. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for (collections to be distributed by the county treasurer in January/collections expected to occur within 60 days). No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The City may levy up to $3.60 per $1,000 of assessed valuation for general governmental services, subject to two limitations:

a. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.

b. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or $10 per $l,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit. The City’s regular levy for 2011 was $2.3945 per $1,000 on an assessed valuation of $5,308,051,162 for a total regular levy of $12,710,167 .

c. The City is also authorized to levy $.45 per $1,000 of assessed valuation for the firemen’s pension fund. See Pension Note No. 7.B. This levy is subject to the same limitations as the levy for general government services. The city’s firemen’s pension levy for 2011 was $0.133 per $1,000.

NOTE 6 – CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

A. Capital Assets

Capital assets activity for the year ended December 31, 2011 is as listed on the following page.

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 32,306,096	$ 2,602,361	$ 0	$ 34,908,457
Construction in progress	96,040,944	27,530,430	3,759,217	119,812,157
Total capital assets, not being depreciated	128,347,040	30,132,792	3,759,217	154,720,614
Capital assets, being depreciated:				
Buildings	21,407,680	0	0	21,407,680
Improvements other than buildings	8,506,026	836,637	0	9,342,663
Machinery and Equipment Govt.	7,968,327	1,159,303	418,388	8,709,242
Machinery and Equipment Int Svc	13,423,224	1,045,224	453,196	14,015,252
Machinery and equipment Subtotal	21,391,549	2,204,526	871,584	22,724,491
Infrastructure	127,350,356	154,235	0	127,504,591
Total capital assets being depreciated	178,655,611	3,195,398	871,584	180,979,425
Less accumulated depreciation for:				
Buildings	15,187,691	600,429	0	15,788,120
Improvements other than buildings	2,429,828	61,516	0	2,491,344
Machinery and Equipment Govt.	4,713,637	935,519	402,599	5,246,557
Machinery and Equipment Int Svc	8,292,419	1,242,751	395,832	9,139,339
Machinery and equipment Subtotal	13,006,056	2,178,270	798,431	14,385,895
Infrastructure	54,371,761	5,764,243	0	60,136,004
Total accumulated depreciation	84,995,336	8,604,458	798,431	92,801,363
Total capital assets, being depreciated, net	93,660,275	(5,409,060)	73,153	88,178,062
Governmental activities capital assets, net	$ 222,007,315	$ 24,723,732	$ 3,832,371	$ 242,898,676
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 2,145,542	$ 380,685	$ 2,598	$ 2,523,629
Construction in Progress	15,598,783	10,234,609	4,439,827	21,393,565
Total capital assets, not being depreciated	17,744,325	10,615,294	4,442,425	23,917,194
Capital assets, being depreciated:				
Buildings	8,586,344	0	0	8,586,344
Improvements other than buildings	115,210,779	2,401,120	0	117,611,899
Machinery and equipment	2,533,154	173,106	201,404	2,504,856
Intangible assets	4,703,139	2,564,428	398,173	6,869,394
Total capital assets being depreciated	131,033,416	5,138,654	599,577	135,572,493
Less accumulated depreciation for:				
Buildings	4,928,828	226,478	0	5,155,306
Improvements other than buildings	41,902,599	2,978,774	0	44,881,373
Machinery and equipment	1,689,834	168,903	37,977	1,820,760
Intangible assets	2,845,321	181,585	0	3,026,906
Total accumulated depreciation	51,366,582	3,555,740	37,977	54,884,345
Total capital assets, being depreciated, net	79,666,834	1,582,914	561,600	80,688,148
Business-type activities capital assets, net	$ 97,411,159	$ 12,198,208	$ 5,004,025	$ 104,605,342

Depreciation and Amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	$ 1,004,523
Security of Persons and Property	505,931
Transportation	5,769,042
Culture and Recreation	82,211
Internal Service Funds	1,242,752
Total Depreciation/Amortization – Governmental Activities	$ 8,604,458
Business-Type Activities:	
Drinking Water/ Wastewater Utility	$ 2,978,612
Waste ReSources Utility	3,694
Storm and Surface Water Utility	591,808
Total Depreciation/Amortization – Business-Type Activities	$ 3,574,114

B. Construction Commitments

The City has active construction projects as of December 31, 2011. The project listing below represents the *major* projects underway. There are a number of smaller projects with costs accumulating from city staff project planning and review time as well as professional services and construction contracts. The major projects include the construction of the Hands on Children's Museum and Fire Station – Training Center.

At year-end the government's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Fire Station - Training Center	$2,445,352	$839,640
Total Commitments	$2,445,352	$839,640

NOTE 7 - PENSION PLANS

A. Multiple Employer Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. 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. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. 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 No. 27, *Accounting for Pensions by State and Local Government Employer* and No. 50*, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*..

<u>Public Employees' Retirement System (PERS) Plans 1, 2 and 3.</u>

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit 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 PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

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

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2% of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60% of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

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% of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service 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:

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

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

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

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible 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, they have the choice of a benefit that is reduced by 3% for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

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

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

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

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% annually.

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

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

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

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

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5%

multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

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

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

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and at 7.5 % 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. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5% to 15%; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2011, were:

For members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25% **	7.25% **	7.25% **
Employee	6.00% ****	4.64% ****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16% .

** The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% 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 4.64% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

For members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	7.25%	7.25%	7.25% **
Employee	12.26%	11.60%	7.50% ***

* The employer rates include the employer administrative expense fee currently set at 0.16% .

** Plan 3 defined benefit portion only.

***Minimum rate.

Both the City and the employees made the required contributions. The City's required contributions for the year ending December 31, 2011 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	$ 49,667	$ 1,288,808	$ 167,338
2010	$ 51,644	$ 1,098,501	$ 139,147
2009	79,601	1,486,148	186,845

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

Plan Description

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

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

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

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

LEOFF Plan 1 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.

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

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

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

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

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

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

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

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are actuarially reduced for each year that the benefit Law Enforcement Officers' & Fire Fighters' Retirement System (LEOFF) Plans 1 and 2 commences prior to age 53 and to reflect the choice of a survivor option. 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle 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 allowance amount is 2% of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3% for each year prior to age 53. A catastrophic disability benefit equal to 70% of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

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

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

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

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

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

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

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

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

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

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

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

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%
Employee	0.00%	8.46%
State	N/A	3.38%

* The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the City and the employees made the required contributions. The City's required contributions for the year ending December 31, 2011 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2011	$ 699	$ 742,552
2010	$ 1,127	$ 695,715
2009	1,154	699,040

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

The Legislature created PSERS in 2004 and the system became effective July 1, 2006. PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria. PSERS retirement benefit provisions are established in chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

A "covered employer" is one that participates in PSERS. Covered employers include the following:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;

- Corrections departments of Washington State counties;
- Corrections departments of Washington State cities except for Seattle, Tacoma and Spokane; and
- Interlocal corrections agencies.

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job: OR
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; OR
- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; OR
- Have primary responsibility to supervise eligible members who meet the above criteria

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of 2% of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3% per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2% of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years).

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

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

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

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

There are 76 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits		7
Terminated Plan Members Entitled to But Not Yet Receiving Benefits		0
Active Plan Members Vested		0
Active Plan Members Nonvested		4,210
	Total	4,217

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, were as follows:

	PSERS Plan 2
Employer*	8.86%
Employee	6.36%

* The employer rates include the employer administrative expense fee currently set at 0.16%.

Both the City and the employees made the required contributions. The city's required contributions for the year ending December 31, 2011 were as follows:

	PSERS Plan 2
2011	$ 41,915
2010	$ 30,864
2009	$ 25,905

B. Single Employer Plan

Firemens' Pension

Plan Description

The City is the administrator of the Firemen's Pension Plan which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 14.16 and 14.18. This plan provided retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to fire fighters employed prior to March 1, 1970, when the State of Washington established the LEOFF retirement system. The City's obligation under the Firemen's Pension Plan consists of paying all benefits, including payments to beneficiaries, for firefighters who retired prior to March 1, 1970, and excess benefits over LEOFF for covered fire fighters who retired on or after March 1, 1970. There is no stand alone financial report for the plan.

Funding Policy

Under State law, the Firemen's Pension Plan is funded from an allocation from the State of Washington of fire insurance premium taxes; interest earnings; member contributions which were made prior to March 1, 1970 (the inception of LEOFF); and City contributions required to meet projected future pension obligations. The City is funding the plan from City contributions over a 20 year (2000-2019) funding plan of property tax revenues, along with future revenues from state fire insurance taxes and interest earnings which will be sufficient to pay all future Firemen's Pension Plan pension benefits.

Since the benefits provided by the Plan are the excess benefits between the City's FPF plan and the state's LEOFF plan, a modified aggregate projected benefit actuarial cost method is used for funding purposes. Under this method, all excess liabilities not covered by the actuarial assets as of the date of the valuation are funded as a level dollar or an increasing dollar amount over the period until the youngest participant is expected to reach age 74.

With the adoption of GASB 25 and 27, this cost method is not appropriate for GASB purposes (though it is still recommended for funding purposes). For GASB purposes, an entry age normal cost method is used. The NPO is assumed to be zero at transition to GASB 25 and 27. The UAL is amortized as a level dollar amount over a closed 30 year period, beginning January 1, 2000.

The Firefighter's Pension Plan is a closed off plan (no new employees hired after March 1, 1970 are covered). The GASB disclosures make no special provision for reporting the cost of a closed off plan. Thus the minimum actuarial required contribution (ARC) disclosed for GASB purposes has no relationship to the City's funding policy for the Firefighter's Pension Plan. The Plan is partially funded through a tax levied by the State of Washington on fire insurance premiums. The revenue received through this tax amounted to $79,633 in 2011.

Actuarial Procedures and Assumptions

The City of Olympia contracts with Milliman for the actuarial valuation of its Firefighters Pension Plan and OPEB. In the valuation report most recently provided by Milliman, the following major assumptions and procedures were used. The Actuarial Cost Method being used is the Entry Age Cost Method. The Valuation of Assets are carried on a market value basis. For GASB No. 27 the UAAL is amortized over a closed 30-year period as of January 1, 1999 and an open 30-year period prior to January 1, 1999. Future investment earnings of the City's FPF are assumed to accrue at an annual rate of 4%. Salaries were assumed to increase at the rate of 3.5% per annum and other benefits increase at the same rate as the CPI. The CPI was assumed to increase at the rate of 2.5% per annum. All members who attain, or who have attained, age 65 in active service are assumed to retire immediately.

Annual Pension Costs and Pension Obligation

The City's annual pension cost and net pension obligation for the actuarial computation for the year ended December 31, 2011 were as follows:

	Fiscal Year Ending		
	12/31/2009	12/31/2010	12/31/2011
Annual required contribution (ARC)			
1. Annual Normal Cost (BOY)	$ 0	$ 0	$ 0
2. Amortization of UAAL (BOY)	235,125	195,368	195,368
3. Interest to EOY [(1)+(2)]*(i)*	11,756	7,815	7,815
4. ARC at EOY [(1)+(2)+(3)]	$ 246,881	$ 203,183	$ 203,183
5. Interest on NPO	$ 8,148	$ (4,065)	$ (17,229)
6. Adjustment to ARC	12,453	(7,440)	(32,716)
7. Annual pension cost [(APC)] [(4)+(5)-(6)]	$ 242,576	$ 206,558	$ 218,670
8. Employer Contributions***	507,153	535,665	304,163
9. Change in NPO [(7)-(8)]	(264,577)	(329,107)	(85,493)
10. NPO at BOY [(11) prior year]	$ 162,956	$ (101,621)	$ (430,728)
11. NPO at EOY [(9)+(10)]	$ (101,621)	$ (430,728)	$ (516,221)

* *'I' is the assumed interest rate that year: 5.0% in 2009, 4.0% in 2010, 4.0% in 2011.*

*** *Employer contributuions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.*

Membership of the Firemen's Pension Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

Firefighters retired for service after March 1, 1970	14
Firefighters disabled in line of duty since March 1, 1970	8
Firefighters disabled not in line of duty since March 1, 1970	1
Survivors of Firefighters retired after March 1, 1970	4

Schedule of Contributions From the Employer

(GASB #25)

Fiscal Year Ending	Actual Employer Contributions*	Actual Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution	Percentage of ARC Contributed
December 31, 2006	$ 377,218	$ 58,511	$ 435,769	$ 265,606	164%
December 31, 2007	431,395	63,395	494,790	265,606	186
December 31, 2008	430,106	65,922	496,028	246,881	201
December 31, 2009	444,293	62,860	507,153	246,881	205
December 31, 2010	468,731	66,934	535,665	203,183	264
December 31, 2011	224,530	79,633	304,163	203,183	150

** Employer Contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.*

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2009	$ 242,576	209%	$ (101,621)
December 31, 2010	206,558	259	(430,728)
December 31, 2011	218,670	139	(516,221)

GASB Statement No 27 Annual Development of Pension Cost

Fiscal Year Ending	ARC at EOY	Interest on NPO	ARC Adjustment	Annual Pension Cost (APC)	Total Employer Contributions	Change in NPO	NPO Balance	(Gain)/Loss	Amort. Factor*	Amort. of (Gain)/Loss	Ending Balance
	(1)	(2)= [prior yr (7)] x int rate	(3)= [prior yr (7)] / (9)	(4)= (1)+(2)-(3)	(5)	(6)=(4)-(5)	(7)=(6)+ [prior yr (7)]	(8)=(1)-(5)	(9)	(10)= [prior yr (11)] / (9)	(11)=(7)
12/31/2006	$ 265,606	$ 46,809	$ 62,656	$ 249,759	$ 435,769	$ (186,010)	$ 665,063	$ (170,163)	13.5832	$ 62,656	$ 665,063
12/31/2007	265,606	36,578	50,098	252,086	494,790	(242,704)	422,359	(229,184)	13.2752	50,098	422,359
12/31/2008	248,881	21,118	31,374	236,625	496,028	(259,403)	162,956	(249,147)	13.4622	31,374	162,956
12/31/2009	248,881	8,148	12,453	242,576	507,153	(264,577)	(101,621)	(260,272)	13.0853	12,453	(101,621)
12/31/2010	203,183	(4,065)	(7,440)	206,558	535,665	(329,107)	(430,728)	(332,482)	13.6593	(7,440)	(430,728)
12/31/2011	203,183	(17,229)	(32,716)	218,670	304,163	(85,493)	(516,221)	(100,980)	13.1657	(32,716)	(516,221)

** Based on a 30-year closed amortization as of January 1, 1999.*

NOTE 8 - RISK MANAGEMENT

A. Liability and Auto

The City of Olympia 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 145 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 $500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

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

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

B. Property

The City of Olympia purchases property insurance for buildings, contents and other insurable assets through Factory Mutual Global Insurance. Year 2010 coverage extends to approximately $197 million of City property with a $35,000 deductible. The coverage includes $50 million earth movement subject to a 5% per location or minimum of $100,000 deductible and flood coverage subject to a $50,000 per location deductible.

C. Settlements

In the past three (3) years, there have been no settlements that exceeded coverage.

NOTE 9 - LONG-TERM LIABILITIES

A. Long-Term Debt

The city issues general obligation and revenue bonds to finance general government activities and acquisition or construction of capital assets. General obligation bonds have been issued for the general government and are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues. The City is also liable for notes that were entered into for the acquisition or construction of capital assets. These notes are considered obligations of either the general government or the proprietary funds and are being repaid with general government revenue and proprietary fund revenues, respectively.

General obligation bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2011
General Obligation Bonds					
		(000)			
2006 Parks	9,385,000	1,234 - 1,091	2016	5.00	5,210,000
2009A City Hall LTGO	2,400,000	318 - 322	2019	4.199	2,170,000
2009B City Hall BABs	32,810,000	2,099 - 3,303	2039	4.199	32,810,000
2009 Fire Dept Headquarters	16,180,000	1,190 - 1,195	2029	4.035	15,040,000
2010 Streets Projects LTGO	5,865,000	434 - 437	2029	5.00	5,520,000
2010B HOCM LTGO	5,670,000	291 - 563	2028	4.250	5,515,000
Total General Obligation Bonds					$ 66,265,000

The annual debt service requirements to maturity for General Obligation bonds are as follows:

Year Ending	Governmental Activities	
December 31,	Principal	Interest
2012	2,185,000	3,462,124
2013	2,285,000	3,377,349
2014	2,370,000	3,288,474
2015	2,475,000	3,187,549
2016	2,585,000	3,080,949
2017-2021	8,930,000	14,194,816
2022-2026	14,065,000	11,671,598
2027-2031	12,500,000	8,067,314
2032-2036	11,045,000	4,775,940
2037-2041	7,825,000	1,036,034
Total	$ 66,265,000	$ 56,142,147

Revenue bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2011
Revenue Bonds					
		(000)			
2001 Water/Sewer	7,525,000	160 - 825	2021	3.55-5.20	3,400,000
2007 Waterworks	8,000,000	240 - 610	2027	4.00-4.125	6,960,000
2010 Waterworks	6,485,000	475 - 480	2030	3.45	6,250,000
Total Revenue Bonds					$ 16,610,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31,	Business Type Activities Principal	Interest
2012	950,000	688,165
2013	990,000	651,645
2014	1,030,000	613,683
2015	1,075,000	571,570
2016	1,125,000	526,920
2017-2021	4,660,000	1,975,115
2022-2026	4,445,000	1,059,875
2027-2031	2,335,000	216,325
Total	$ 16,610,000	$ 6,303,298

Loans currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2011
State of Washington Trust Fund Loans					
4th Avenue Bridge	6,049,030	360,377	2020	1.00	3,243,394
4th Avenue Bridge	3,111,250	173,382	2021	1.00	1,733,824
Log Cabin Stormwater Project	188,600	14-19,000	2018	1.00	23,912
North Percival Stormdrain	1,658,700	53-65,000	2026	3.00	175,046
Sleater-Kinney Sewer	1,808,375	57-62,000	2028	3.00	1,563,086
Subtotal State of Washington Trust Fund Loans					$ 6,739,262
Other Loans					
Local Program Energy Savings	1,534,496	68-171,000	2020	2.97	1,330,528
DOE Septic Conversion Assistance Program	250,000	100-900	2031	2.90	43,174
Yauger Park Stormwater	1,214,018	6-41,000	2031	3.10	1,148,288
DWSRF McAllister Wellfield Development	6,060,000	N/A**	2034	1.50	144,630
DWSRF McAllister Wellfield Transmission Pipeline	4,811,640	N/A**	2034	1.50	243,760
2011 Parks BAN*	2,500,000	$ 2,500,000	2014	1.75	2,500,000
Subtotal Other Loans					$ 5,410,380
Loans Total					$ 12,149,642

* 2011 Parks BAN is a one time payment in 2014

** DWSRF loan terms have not been defined. Terms will be defined upon project completion.

The annual debt service requirements to maturity for loans are as follows:

Year Ending	Governmental Activities		Business Type Activities	
December 31,	Principal	Interest	Principal	Interest
2012	$ 673,543	$ 124,207	$ 199,967	$ 49,043
2013	677,727	115,431	244,079	46,512
2014	3,182,036	73,136	146,080	47,641
2015	686,473	53,259	147,602	45,647
2016	691,044	44,217	149,170	43,607
2017-2021	2,896,923	84,524	771,030	185,777
2022-2026	-	-	817,757	127,251
2027-2031	-	-	477,821	62,878
2032-2036	-	-	388,391	11,652
Total	$ 8,807,746	$ 494,774	$ 3,341,897	$ 620,008

In proprietary funds, unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

At December 31, 2011, the City has $380,854 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain $438,233 in reserves as required by bond indentures.

There are a number of other limitations and restrictions contained in the various indentures. The City is in compliance with all significant limitations and restrictions. Debt service requirements for special assessment bonds are met by assessments levied against property owners. The City has no financial obligation for defaults by property owners on special assessment debt except for insuring the funding of the Guaranty Fund. Assessments are liens against the assessed property.

B. Debt Service Requirements to Maturity

The following table displays total annual debt service requirements to maturity on all bonds and loans including interest as of December 31, 2011. Amounts listed include principal and interest.

Year Ending December 31,	Bonds	Other Loans	Public Works Trust Fund Loans	Total
2012	7,285,289	264,521	782,239	8,332,049
2013	7,303,994	309,197	774,552	8,387,743
2014	7,302,157	2,781,508	667,385	10,751,050
2015	7,309,119	270,539	662,442	8,242,100
2016	7,317,869	270,539	657,499	8,245,907
2017	6,138,500	270,539	652,557	7,061,596
2018	5,722,405	270,539	647,614	6,640,558
2019	5,734,785	270,539	642,672	6,647,996
2020	5,747,605	181,399	637,729	6,566,733
2021	6,416,636	92,257	272,409	6,781,302
2022	6,251,038	92,257	97,687	6,440,982
2023	6,253,399	92,257	97,216	6,442,872
2024	6,253,980	92,258	96,744	6,442,982
2025	6,243,407	92,257	96,272	6,431,936
2026	6,239,650	92,257	95,800	6,427,707
2027	6,232,208	92,258	95,328	6,419,794
2028	5,293,755	92,258	53,407	5,439,420
2029	4,975,259	92,257	0	5,067,516
2030	3,314,071	91,828	0	3,405,899
2031	3,303,345	23,363	0	3,326,708
2032	3,261,484	5,826	0	3,267,310
2033	3,214,071	5,826	0	3,219,897
2034	3,166,077	388,391	0	3,554,468
2035	3,117,194	0	0	3,117,194
2036	3,062,115	0	0	3,062,115
2037	3,010,810	0	0	3,010,810
2038	2,952,635	0	0	2,952,635
2039	2,897,590	0	0	2,897,590
Total	$ 145,320,447	$ 6,234,870	$ 7,029,552	$ 158,584,869

C. Current Portion of Long Term Liabilities

The following table displays the portion of each debt instrument that is due within one year of the statement date of December 31, 2011:

State of Washington Trust Fund Loans	
Log Cabin Stormwater Project	11,956
North Percival Stormdrain	87,523
4th / 5th Ave Corridor	533,759
Sleater Kinney Sewer Project	94,384
Subtotal State of Washington Trust Fund Loans	$ 727,622
State of Washington Local Loans	
Yauger Park Project	6,104
LOCAL Program Energy Savings	139,784
Subtotal State of Washington Local Loans	$ 145,888
Revenue Bonds	
2001 Water/Sewer Bond	415,000
2007 Waterworks	295,000
2010 Waterworks	240,000
Subtotal Revenue Bonds	$ 950,000
General Obligation Bonds	
2006 Parks CIP	950,000
2009A City Hall LTGO	240,000
2009 Fire Stn Construction LTGO	595,000
2010 Streets Projects LTGO	225,000
2010B HOCM LTGO	175,000
Subtotal General Obligation Bonds	$ 2,185,000
Total Principal amount due within one year	$ 4,008,510

D. Changes in Long-Term Liabilities

During the year ended December 31, 2011, the following changes occurred in long-term liabilities:

	Balance 1/1/2011	Additions	Retirements	Balance 12/31/2011	Due Within One Year
Business - Type Activities					
Revenue Bonds	$ 17,515,000	$ 0	$ 905,000	$ 16,610,000	$ 950,000
WA State Trust Fund Loans	1,955,907	0	193,863	1,762,044	193,863
LOCAL Loans	685,510	894,342	0	1,579,852	6,104
Compensated Absences	676,670	622,983	671,259	628,394	671,259
Subtotal	$ 20,833,087	$ 1,517,325	$ 1,770,122	$ 20,580,290	$ 1,821,226
Governmental Activities					
G.O. Bonds	$ 68,355,000	$ 0	$ 2,090,000	$ 66,265,000	$ 2,185,000
Special Assessment Notes	65,210	0	17,973	47,237	0
Other Loans	1,466,250	2,500,000	135,722	3,830,528	139,784
WA State Trust Fund Loans	5,562,639	0	585,421	4,977,218	533,759
OPEB payable	1,655,442	1,154,708	512,435	2,297,715	0
Compensated Absences	3,842,001	2,859,884	2,721,647	3,980,238	2,721,647
Subtotal	$ 80,946,542	$ 6,514,592	$ 6,063,198	$ 81,397,936	$ 5,580,190
Total	$ 101,779,629	$ 8,031,917	$ 7,833,320	$ 101,978,226	$ 7,401,416

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end $33,746 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. It is estimated that the amount of compensated absences to be used in the next year in Governmental and Business-Type Activities is $3,300,200.

NOTE 10 - LEASES

1. Operating Leases

The City leases office buildings under noncancelable operating leases. Total cost for such leases was $ 276,050 for the year ended December 31, 2011. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Amount
2012	42,038
2013	42,038
2014	42,038
2015	42,038
2016 - 2020	100,000
2021 - 2025	100,000
2026 - 2030	100,000
2031 - 2035	100,000
2036 - 2040	100,000
2041 - 2045	100,000
2046 - 2048	40,000

2. Capital Leases

The City has no capital lease agreements.

NOTE 11 - CONTINGENCIES AND LITIGATIONS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

A. Litigation

The City has claims and lawsuits pending at this time, which could result in a liability for the City over the next few years. The amount of these claims cannot be reasonably estimated at this time and management estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

B. Contingent Liabilities

As discussed in Long-Term Debt Note No. 9, the City is contingently liable for repayment of debt.

The City has received several Federal and State grants for specific purposes, which are subject to review and audit by the grantor agencies or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Based upon experience, City Management believes such disallowance, if any, will be immaterial.

C. Pollution Remediation

The City has several pieces of property currently owned or recently sold that have contamination requiring a cleanup. Each property is listed below with a brief narrative.

1. Log Cabin Rd Roundabout

   In 2008 the City purchased property from Thurston County as part of a project creating a roundabout at the intersection of Log Cabin Road and Boulevard Road. The property had previously been used by Thurston County as a road maintenance shop and contained contaminated soil. As part of the project, the City cleaned up the site and received reimbursement from Thurston County for those most of the costs. Costs of the remediation are part of the capitalized cost of the construction project. Clean up is 100% complete, total cost of cleanup was $351,192. Thurston County reimbursed $288,359 of these costs.

2. New City Hall

   In 2009 the City purchased property for the construction of the new city hall building. At the time of the purchase, it was known to contain contaminated soil. Cost of the cleanup was factored into the cost of construction. The site has been remediated and ongoing ground water monitoring will continue, until the Department of Ecology confirms completion of soil remediation. Costs of the remediation are part of the capitalized cost of the construction project except for those reimbursements received through grants. The city spent approximately $8,406,000 on the remediation and has been reimbursed approximately $3,775,000 from the Department of Ecology.

3. Hands on Children's Museum

   In 2010 the city purchased property from the Port of Olympia as part of the Hands on Children's Museum construction project. When purchased, it was known that contamination existed on the property. As part of the construction process, the site has been 95% remediated. Costs of the remediation are part of the capitalized cost of the construction project except for those reimbursements received through grants. To date the city has spent approximately $650,000 on the remediation and has been reimbursed approximately $410,820 from the Department of Ecology, LOTT, and the Port of Olympia.

4. Parking Lot – State Avenue

In 2008 the city purchased property for the State Department of Transportation (DOT) to develop a parking lot. The site was known to contain contamination. The purchase and sale agreement called for the city to clean up the site and be reimbursed by the DOT for all costs up to the amount of the land purchase, $1,284,462. The site is nearly completely remediated and the DOT has reimbursed the city for all costs to date, $1,220,276. There are still funds remaining from the sale to cover certain future anticipated costs incurred by the city. Any costs in excess of the amount available from the purchase price will become part of the capitalized cost of the construction project.

5. Percival Landing / Tank Farm

In 1989 the city acquired property that is adjacent to Percival Landing which had previously been used as a tank farm by a major oil company. As part of the Percival Landing Rehabilitation Phase 1 project, a certain amount of contamination from the acquired property is in need of remediation. Costs of remediation have been capitalized through the project and the project is nearly complete. The city has spent approximately $1,157,000 on the remediation and has not received any reimbursements. The rest of the property still contains contaminated soil, and an evaluation is underway by the Department of Ecology to determine the need for future remediation activities. It may be many years before any cleanup effort is undertaken. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the city may capitalize those costs with the development, the city has not accrued any liability on the entity wide Statement of Net Assets. The city is under no current obligation for immediate remediation action.

6. Parking Lot – Columbia Street

In 2008 the city sold property to a development company for the purpose of building market rate housing in the downtown area. The site had been the former location of a service station and there was known contamination at the site. The proceeds of the sale were deposited into an escrow account to be used to pay for the eventual cleanup of a portion of the property with the city and the developer to split costs in excess of that amount up to an amount of $493,000 for the city's contribution. If contamination is discovered beyond the property boundary that needs to be remediated, that remediation is the responsibility of the city to clean up. To date, the developer has yet to proceed on the project. Due to the uncertain nature of the completion of a cleanup plan by the developer and the unknown timing of any additional cleanup by the city, the city has not accrued any liability on the entity wide Statement of Net Assets. Over time the city may accrue a liability as the components become more estimable.

7. West Bay

In 2005 the city acquired property on West Bay Drive from the Port of Olympia to develop a waterfront park. The site was located in an area historically subject to industrial uses, and it was known that portions of the property were contaminated. Phase 1 of the West Bay Park was completed in 2011. The city has spent approximately $1,200,000 on remediation, and has received approximately $675,000 in reimbursements from a Department of Ecology grant; the unreimbursed costs have been capitalized. The City is continuing to monitor and test the northern part of the site until the Department of Ecology confirms full remediation. Testing has began on the southern portion of the site; however the City is years away from development of the site. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the city may capitalize those costs with the development, the city has not accrued any liability on the entity wide Statement of Net Assets. The city is under no current obligation for immediate remediation action.

NOTE 12 – RESTRICTED NET ASSETS

The government-wide statement of net assets reports $15,890,647 of restricted net assets, of which $11,412,196 is restricted by enabling legislation. The remaining $4,478,451 is restricted by other legally bond contracts. Restricted net asset details for the year ended December 31, 2011 are listed in the following chart:

Restricted Net Assets	Governmental Activities	Business-Type Activities	Total
NET ASSETS			
Restricted by enabling legislation:			
Transportation, Parking, and Parks	$ 5,516,824	$ 0	$ 5,516,824
Impact Fees	4,418,340	0	4,418,340
SEPA Mitigation	1,018,724	0	1,018,724
Boating Safety, Seizure and Forfeitures, Other	269,537	0	269,537
Lodging Tax	188,771	0	188,771
Subtotal of Restricted by enabling legislation	11,412,196	0	11,412,196
Restricted by other legal means:			
Capital projects	3,189,757	438,233	3,627,990
Debt Services	366,667	0	366,667
HUD Programs	155,612	0	155,612
Prepaid Items and Habitat for Humanity Loan	98,146	0	98,146
Farmers Market	96,143	0	96,143
Washington Center	75,498	0	75,498
Workers Comp Reserve	58,395	0	58,395
Subtotal of Restricted by other legal means	4,040,217	438,233	4,478,450
Total Restricted Net Assets	$ 15,452,413	$ 438,233	$ 15,890,646

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

In 2009 the Fireman's Pension made a loan to the Special Account Control Fund (003) for Parking Services in the amount of $725,000 and the balance at year end was $241,668.

B. Interfund Transfers

Interfund transfers at December 31, 2011 were as follows:

TRANSFERS			TRANSFERS IN		TRANSFERS OUT	
General Fund			$1,960,962		$ 962,881	
				1,960,962		962,881
Special Revenue Funds:						
	127	Impact Fees	0		3,366,665	
	130	SEPA Mitigation	0		354,295	
	132	Lodging Tax Fund	0		263,530	
	134	Parks & Rec Sidewalk Tax	6,686		2,555,001	
	135	Parking Imp Benefit Area	0		15,000	
	137	Children's Hands On Museum	35,000		379,919	
	139	Grants Control	0		162,822	
	140	Real Estate Excise Tax	0		809,195	
				41,686		7,906,427
Debt Service Funds:						
	223	06 Parks LTGO Bond Fund	1,210,750		0	
	226	10 LTGO Street Bond Fund	438,463		0	
	227	Local Debt Fund	178,282		0	
	228	10 LTGO HOCM Bond Fund	379,919		0	
				2,207,414		0
Capital Project Funds:						
	317	Capital Improvement Fund	7,914,392		464,700	
	323	CIP Construction Parks	0		1,630	
	325	City Hall Construction	0		100,000	
	326	Transportation Project Construction	0		1,780,719	
	331	Fire Equipment Reserve Fund	88,500		0	
				8,002,892		2,347,049
Subtotal-Governmental Funds				12,212,954		11,216,357
Enterprise Funds:						
	401	Water/Sewer Utility	151,403		25,769	
	403	Solid Waste Utility	0		12,500	
	404	Stormwater Utility	54,489		12,500	
				205,892		50,769
Internal Service Funds:						
	501	Equipment Rental	0		761,663	
	505	Workers' Compensation	0		281,284	
				0		1,042,947
Subtotal-Proprietary Funds				205,892		1,093,716
Trust & Agency Funds:						
	621	Wash Center Endowment	0		108,773	
				0		108,773
TOTAL TRANSFERS				$ 12,418,846		$ 12,418,846

Transfers from the General Fund were used in most part to support construction projects in the Capital Improvement Fund. Enterprise Funds transfer $50,000 each year to support Information Technology projects.

NOTE 14 – RECEIVABLE BALANCES

The City participates in a number of federally assisted grant programs: for example, Community Development Block Grants and a number of State grants that are direct or federal pass through in nature. The following tables outline the receivables from other governmental units, and current and non-current portions of long-term notes, contracts and loans receivable at fiscal year end.

A. Governmental Receivables

At December 31, 2011, the receivables from other governmental units consisted of the following:

Governmental Funds		
General Fund		
Medic I reimbursement	$ 309,879	
Thurston County Fire Distrcit Fleet	44,027	
Thurston County Heritage Commission Grant	600	
		354,506
Special Revenue Funds		
US Department of Energy	129	
		129
Capital Project Funds		
WA State Historical Society	555,660	
WA State Department of Trade & Economic Comm.	300,000	
Thurston County Public Works	328,359	
WA Department of Transportation	28,692	
Transportaion Improvement Board	114,215	
WA Department of Parks & Conservation	16,408	
WA Department of Ecology	9,836	
		1,353,170
Business-Type Funds		
Enterprise Funds		
Department of Ecology (ARRA)	103,609	
Department of Ecology	27,632	
WA State Department of Trade & Economic Comm.	45,503	
		176,744
Total Receivables		$ 1,884,549

B. Current and Non-Current Long-Term Receivables

At December 31, 2011, the receivables from long-term notes, contracts, and loans receivable consisted of the following:

	Current	Non-Current	Total
General Fund			
Habitat for Humanity	$ 11,200	$ 2,950	$ 14,150
Special Revenue Funds			
Deferred Loans Receivable			
HUD Downtown Housing	125,805	2,580,175	2,705,980
HUD Block/Shelter Grant	130,626	5,303,430	5,434,056
Subtotal - Special Revenue Funds	256,431	7,883,605	8,140,036
Total Long Term Receivables	$ 267,631	$ 7,886,555	$ 8,154,186

NOTE 15 - JOINT VENTURES AND INTERLOCAL AGREEMENT

A. Joint Ventures

Animal Protection Services

Thurston County Joint Animal Services is a joint venture providing services to Lacey, Olympia, Tumwater, and Thurston County. Services include licensing, education, complaint, investigation, and enforcement. A shelter is also operated to hold impounded or lost animals, and/or adoptable animals placed with the shelter. It is governed through an interlocal agreement by the Joint Animal Services Commission which is a 6 member board composed of elected representatives from the cities of Lacey, Olympia and Tumwater, Thurston County, the South Puget Sound Veterinary Medical Association, and the Thurston County Humane Society.

An equity interest exists for the cities of Lacey, Olympia and Tumwater, and Thurston County. As of December 31, 2011, the City of Olympia had a 22.62% share of the equity. Net Assets as of December 31, 2011, were $3,708,992 The City of Olympia reports its share of equity interest as an investment in joint venture, in the government-wide statement of net assets. The current equity share for the City is valued at $838,974

An ongoing financial interest exists for the cities of Lacey, Olympia and Tumwater, and Thurston County. The agreement specifies a funding formula that allocates the cost based on serviced animal cases and population per jurisdiction (unless otherwise adjusted by the Commission) in the prior year. All employees (including the Director) are employees of the City of Lacey. All property is considered to be jointly owned with the title being held by the City of Lacey. Parties will be reimbursed based on their contribution upon sale of property for dissolution of Animal Protection Services. Minimum participation for any one party is three years and withdrawal of any party will not terminate the agreement.

The City of Lacey accounts for the joint venture in a separate special revenue fund. Completed Financial Statements can be obtained from the City of Lacey Finance Department, P.O. Box 3400, Lacey, WA 98509-3400

Interlocal Drug Unit

The Interlocal Drug Unit provides drug control and investigation services to participating local governments in Thurston County. The Drug Unit is governed by a 5 member Executive Committee composed of the Thurston County Sheriff and Police Chiefs from the cities of Lacey, Olympia and Tumwater and by a representative from the Washington State Patrol. The Executive Committee governs the unit, approves and signs all grant agreements and contracts, and specifies staffing levels. Drug Unit personnel remain employees of the agency that assigned them to the Drug Unit. Approximately half of the Drug Unit personnel are funded by their departments. The Drug Unit is funded by grants and seizures of drug funds and the agreement states that each participant will contribute any additional funding equally. All monies and equipment will remain with the Drug Unit upon withdrawal of any permanent participant from the Drug Unit. The City of Lacey accounts for the joint venture in a separate special revenue fund and complete financial statements are available from the City of Lacey.

Law Enforcement Records Management System

The Law Enforcement Records Management System (LERMS) is a joint venture providing accurate and timely criminal justice data sharing to the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The goal of this joint venture is to share public safety information, increase operational efficiency via a reduction in data entry, and ease the process of accessing Information. These goals will improve officer and citizen safety, facilitate coordination and information sharing to both internal and external agencies, and improve data quality and timeliness of data accessibility. It is governed through an interlocal agreement by the LERMS Consortium, which is a 5 member board composed of each cities Chief of Police (or their designee).

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, 2011, the City of Olympia has a 42.00% share of the equity. Net Assets as of December 31, 2011, were $271,060 The City of Olympia reports its share of equity interest as an investment in joint venture, in the government-wide statement of net assets. The current equity share for the City is valued at $113,845 .

An ongoing financial interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The agreement specifies a funding formula that annually assesses member cities based on current year population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium). All property is considered to be jointly owned. Parties will be reimbursed based on their contribution upon sale of property upon the dissolution of LERMS. Any member may withdraw from the agreement at the end of any calendar year, providing a notice to the Consortium no less than six months prior to the date of withdrawal. Withdrawal of a party will not terminate the agreement of the remaining parties.

The City of Olympia accounts for the joint venture in a separate agency fund. Completed Financial Statements can be obtained from the City of Olympia Administrative Services Department, PO Box 1967, Olympia, WA 98507

B. Interlocal Agreement

Capital Area Regional Public Facilities District (PFD)

In 2006, the City of Olympia entered into a contract with the Capital Area Regional Public Facilities District (PFD) for the acquisitition, development, operation and maintenance of the Hands On Children's Museum (HOCM). The PFD imposes a sales and use tax pursuant to RCW 82.14.390 to repay any financing obtained to fund the design, construction, acquisition, operation and/or maintenance of the museum. The monies collected as sales taxes shall only be used for the purposes permitted under RCW 82.14.390 and RCW 35.57.020. In 2011, the City of Olympia received $349,321 in sales taxes levied by the PFD and is accounted for within the HOCM Special Revenue Fund.

NOTE 16 – UTILITY RATES

A. Solid Waste:

During 2011, basic residential garbage rates consisted of $8.13 for one 20 gallon can service. The basic commercial rate for one 10 gallon can service was $5.67.

B . Drinking Water:

During 2011 basic monthly single family and duplex residential rates consisted of a $6.91ready to serve.

In addition, a tiered rate is applied to consumption as follows:

Block 1 (0 - 500 cubic feet): .... $1.45per 100 cubic feet of water consumed.
Block 2 (501 - 1000 cubic feet): .... $2.02per 100 cubic feet of water consumed.
Block 3 (1001 - 1500 cubic feet): .... $4.01per 100 cubic feet of water consumed.
Block 4 (1501+ cubic feet): .... $5.27per 100 cubic feet of water consumed.

The Drinking Water General Facility Charge (GFC) was $3,089. The GFC is charged for a new hook-up to the system.

C. Wastewater:

During 2011 the local collection charge was billed $18.54 per ERU. The Wastewater General Facility Charge (GFC) was billed $2,756 per ERU.

An ERU is an Equivalent Residential Unit. The ERU is a measure of sewage usage with the exception of any significant industrial user. An ERU is defined as a separate single family residence or one per single family unit with respect to residential duplexes. Residential structures having more than two single-family units are assessed at 70% an ERU per unit. As for other than residential users, an ERU is defined as 900 cubic feet of sewage measured at the source of either water consumption or sewage discharge for LOTT treatment and 700 cubic feet of sewage measured at the source of either water consumption or sewage discharge for Local collection.

D. Stormwater Drainage:

During 2011, the rate for single family residences and duplexes was $10.58 and $21.16 per month respectively. Accounts other than single family and duplex are charged an $10.36 administrative fee plus $3.90, $8.14 or $10.26 per billing unit of impervious surface based on the date of development.

NOTE 17 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT

A. Law Enforcement and Fire Fighters Retirement System

1. Plan Description:

   A. In addition to the pension benefits described in Note 7, in accordance with the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Act (RCW 41.26), the City provides certain health care benefits for retired full-time, fully compensated law enforcement officers and fire fighters who established membership in the LEOFF retirement system on or before September 30, 1977. The City's Human Resources Department, in conjunction with the City Disability Board, pays or reimburses retired LEOFF police officers and fire fighters for reasonable medical charges as described in the LEOFF Act. A total of 72 retirees are eligible for benefits under this act. As of December 31, 2011, there were 4 active officers and fire fighters who may become eligible for these benefits when they retire.

      The City reimburses 100 percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. The City also reimburses eligible retirees for their City mandated enrollment in Medicare Plan B. in addition, the City purchases commercial health insurance for the retirees.

      Post employment health care benefits are paid on a pay as you go basis. Benefits to participating retirees who are covered under the Firemen's Pension Fund totaled $513,468 in 2011. The benefits paid to the remaining participants (Police Officers) were remitted out of the General Fund and totaled $531,130.

      The LEOFF is amortized as a level dollar amount over a closed 30 year period, beginning January 1, 2000.

2. Funding Policy:

   A. Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

3. Annual OPEB Costs and Net OPEB Obligations:

   A. The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2010. The first table below shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation as of December 31, 2011 was $2,297,715 . The ARC has been 42% funded for the year.

4. Actuarial Procedures and Assumptions:

   A. In addition to the pension benefits described in Note 7, in accordance with the Washington Law of its Firefighters Pension Plan and OPEB. In the valuation report most recently provided by Milliman, the following major assumptions and procedures were used. The Actuarial Cost Method being used is the Entry Age Cost Method. There are no assets in this plan. For GASB No. 45 In the January 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 4% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 8.3%, graded to 6.1% over three years, was used along with a long term care inflation rate of 4.3% and a dental inflation rate of 5%.

GASB Statement No. 45 Annual Development of OPEB Cost

Fiscal Year Ending	ARC at EOY	Interest on Net OPEB Obligation	ARC Adjustment	Annual OPEB Cost	Total Employer Contributions	Change in Net OPEB Obligation	Net OPEB Obligation Balance	(Gain)/Loss	Amort. Factor*	Amort. of (Gain)/Loss	Ending Balance
	(1)	(2)= [prior yr (7)] x int rate	(3)= [prior yr (7)] / (9)	(4)= (1)+(2)-(3)	(5)	(6)=(4)-(5)	(7)=(6)+ [prior yr (7)]	(8)=(1)-(5)	(9)	(10)= [prior yr (11)] / (9)	(11)=(7)
12/31/2009	$ 986,298	$ 25,182	$ 38,490	$ 972,990	$ 508,187	$ 464,803	$ 968,452	$ 478,111	13.0853	$ 38,490	$ 968,452
12/31/2010	$ 1,214,229	$ 38,738	$ 70,901	$ 1,182,066	$ 495,076	$ 686,990	$ 1,655,442	$ 719,153	13.6593	$ 70,901	$1,655,442
12/31/2011	$ 1,214,229	$ 66,218	$ 125,739	$ 1,154,708	$ 512,435	$ 642,273	$ 2,297,715	$ 701,794	13.1657	$ 125,739	$2,297,715

** Based on a 21-year closed amortization as of January 1, 2008.*

GASB Statement No. 45 Annual Pension Cost and Net Pension Obligation

	Fiscal Year Ending 12/31/2009	12/31/2010	12/31/2011
Annual required contribution (ARC)			
1. Annual Normal Cost (BOY)	$ 75,991	$ 65,348	$ 65,348
2. Amortization of UAAL (BOY)	863,340	1,102,180	1,102,180
3. Interest to EOY [(1)+(2)]*(i)*	46,967	46,701	46,701
4. ARC at EOY [(1)+(2)+(3)]	$ 986,298	$ 1,214,229	$ 1,214,229
5. Interest on NPO	$ 25,182	$ 38,738	$ 66,218
6. Adjustment to ARC	38,490	70,901	125,739
7. Annual pension cost [(APC)] [(4)+(5)-(6)]	$ 972,990	$ 1,182,066	$ 1,154,708
8. Employer Contributions	508,187	495,076	512,435
9. Change in NPO [(7)-(8)]	464,803	686,990	642,273
10. NPO at BOY [(11) prior year]	$ 503,649	$ 968,452	$ 1,655,442
11. NPO at EOY [(9)+(10)]	$ 968,452	$ 1,655,442	$ 2,297,715

* *'I' is the assumed interest rate that year: 5.0% in 2009, 4.0% in 2010, 4.0% in 2011.*

GASB Statement No. 45 Percentage of Annual OPEB Cost Contributed

Fiscal Year Ending	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	Net OPEB Obligation
December 31, 2009	$ 972,990	52%	$ 968,452
December 31, 2010	$ 1,182,066	42%	$ 1,655,442
December 31, 2011	$ 1,154,708	44%	$ 2,297,715

B. AWC Benefits Trust

1. Trust Description

A. The City is 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 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 benefit 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, WA 98501-1346 or by calling 1-800-562-8981.

2. Funding Policy.

A. 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 City receiving medical benefits from the Trust contribute the following amounts:

Type of Coverage	Monthly Retiree Cost
AWC HealthFirst 1000	
Retiree only - Non-Medicare Coverage	$751.55
Retiree & Spouse - Non-Medicare Coverage	$756.15
Retiree with Medicare Coverage & Spouse without	$410.35
Retiree & Spouse - with Medicare Coverage	$415.00
Selections 1000	
Retiree only - Non-Medicare Coverage	$703.45
Retiree & Spouse - Non-Medicare Coverage	$708.00
Retiree with Medicare Coverage & Spouse without	$375.55
Retiree & Spouse - with Medicare Coverage	$380.15

Participating Employers are not contractually required to contribute an rate assessed rate each year by Trust for non-LEOFF I retirees. The City does not contribute to the Trust on behalf of its retirees. The City's contributions to the Trust for its employees for the year ended December 31, 2011, was $6,391,475 which equaled the required contributions of that year.

NOTE 18 – BLENDED COMPONENT UNITS INCLUDED IN REPORTING ENTITY

A. Blended component units.

There is one blended component unit in the city's reporting entity. During the fiscal year 2008 the City Council passed an ordinance forming the Olympia Transportation Benefit District. The RCW 36.73.020 grants cities the authority to establish a Transportation Benefit District. The transportation benefit districts purpose is to acquire, construct, improve, provide, and fund transportation improvement within the district that is consistent with any existing state, regional, and local transportation plan. RCW 36.73.065 gives the Olympia Transportation Benefit District authorization to impose taxes, fees, charges and tolls. The Olympia Transportation Benefit District has approved a $20 vehicle registration fee. This fee started October 1, 2009 and is imposed on vehicles registered within the district's boundaries.

The Transportation Benefit District is accounted for in Fund 138, a Special Revenue Fund. Financial reporting for this fund can be found in the Combining Statements located in the Other Financial Information section of this report.

NOTE 19 – OTHER DISCLOSURES

A. Accounting and reporting changes.

GASB 54:

The City implemented the provisions of the GASB Statement 54 for the fiscal year ended December 31, 2011 contained in the report. This implementation includes changes to the Governmental Fund Balance Sheets shown in the report. For information on the cities Fund balance policy and fund balance allocations, see No. 1.E Fund Balance Classifications and Fund Balance Details. Changes to Fund numbers is listed below in the notes on converted funds.

Classification of Deferred Revenue:

Increases in Taxes and Miscellaneous revenue in the entity-wide statements is primarily related to a change in reporting of deferred revenue. The City evaluated the reporting of Deferred Revenue Liability in the Statement of Net Assets. In 2011 the City changed the reporting of Deferred Revenues as revenues in the Statement of Activities, as opposed to Unearned Revenue liabilities in the Statement of Net Assets. The table below describes the Deferred Revenues and their revenue offsets:

Deferred Revenue:	Revenue:	Amount	
2012 First Quarter Property Tax Collection	Property Tax - General	$	7,240,864
2012 First Quarter Property Tax Collection	Property Tax - Debt Service		16,730
Reported in Statement of Activites as Revenue, not in Governmental Fund Statements		$	7,257,594
Current Year Court Receivable	Charges for Services, General Government		54,081
Current Year Property Tax Receivable	Property Tax - General		17,023
Prior Years Court Receivable	Special Item - Court Fines		4,699,549
Prior Years Property Tax Receivable	Special Item - Property Tax - General		182,183
Reported as Deferred Revenue in Governmental Fund Statements		$	4,952,836

Converted Funds:

The City converted the following funds, as a result of the implementation of GASB Statement 54, which added further definitions of Special Revenue, Debt Service, and Capital Project funds. The city evaluated all funds following GASB guidelines and determined that the following funds no longer met the definition of their coding, therefore were converted to a more applicable fund type.

Special Revenue Funds

Special Accounts Control Fund 103, became part of the General Fund No. 003
Arterial Street Fund 104, became part of the General Fund No. 004
Washington Center Fund 125, became part of the General Fund No. 025
Municipal Arts Fund 126, became part of the General Fund No. 026
Equipment and Facility Replacement Fund 129, became part of the General Fund No. 029
Fire Equipment Reserve Fund 131, became part of the Capital Projects Funds, No. 331

Capital Project Funds

Shop Facilities Fund 302 became part of the General Fund No. 002.

New Funds:

During the fiscal year 2011 the following Funds were opened:

Special Revenue Funds

Real Estate Excise Tax (REET) Fund 140 was created in 2011.

Debt Service Funds

LTGO Street Bond Fund 228 was created in 2011.

B. Calculation of Net Assets invested in capital assets, net of related debt.

Governmental Activities

Below is a schedule of the calculation of Net Assets invested in capital assets net of related debt for Governmental Activities.

Total Governmental Funds Capital Assets				238,022,764
	Par Value	Outstanding 12/31/11	Proceeds Spent thru 12/31/11	Net Outstanding
GO BONDS				
2009 City Hall Bonds	35,210,000	34,980,000	35,210,000	34,980,000
2009 Fire Station Bonds	16,180,000	15,040,000	13,467,605	13,467,605
2010 HOCM Bonds	5,670,000	5,515,000	5,670,000	5,515,000
2010 Transportation Bonds	5,865,000	5,520,000	5,865,000	5,520,000
2006 Parks	9,385,000	5,210,000	9,385,000	5,210,000
Total GO Bonds	72,310,000	66,265,000	69,597,605	64,692,605
PWTFL LOANS				
4th / 5th Ave. Corridor	6,721,144	3,243,394	6,721,144	3,243,394
4th / 5th Ave. Corridor	3,275,000	1,733,824	3,275,000	1,733,824
Total PWTFL Loans	9,996,144	4,977,218	9,996,144	4,977,218
OTHER LOANS				
State Of WA LOCAL Program Loan	1,534,496	1,330,528	1,466,250	1,330,528
2011 Parks BAN	2,500,000	2,500,000	2,500,000	2,500,000
Total Other Loans	4,034,496	3,830,528	3,966,250	3,830,528
LID NOTES				
LID #762 - Woodland Park Water	167,998	47,237	167,998	47,237
Total Other Loans	167,998	47,237	167,998	47,237
Total - Governmental Funds Debt	86,508,638	75,119,983	83,727,997	73,547,588
Capital Assets Net of Related Debt - Governmental Funds				164,475,176

Internal Service Funds	
Total Internal Service Capital Assets	4,875,912
Internal Service Capital Assets Net of Related Debt	4,875,912

Total Governmental Activities Capital Assets - Net of Related Debt	169,351,088

Business-Type Activities

Below is a schedule of the calculation of Net Assets invested in capital assets net of related debt for Business-Type Activities.

Total Capital Assets - Business-Type Activities				104,605,342
	Par Value	Outstanding 12/31/11	Proceeds Spent thru 12/31/11	Net Outstanding
Drinking Water/Wastewater Utility				
Capital Assets - Drinking Water				81,693,466
REVENUE BONDS				
2001 Water/Sewer	7,525,000	3,400,000	7,525,000	3,400,000
2007 Waterworks	8,000,000	6,960,000	8,000,000	6,960,000
2010 Waterworks	6,485,000	6,250,000	6,485,000	6,250,000
Total REVENUE Bonds	22,010,000	16,610,000	22,010,000	16,610,000
PWTFL LOANS				
Sleater-Kinney Sewer	1,808,375	1,563,086	1,724,045	1,563,086
Total PWTFL Loans	1,808,375	1,563,086	1,724,045	1,563,086
OTHER LOANS				
Department of Ecology - Septic Assistance	250,000	43,174	43,174	43,174
DWSRF McAllister Wellfield Development	6,060,000	144,630	144,630	144,630
DWSRF McAllister Wellfield Transmission Pipe	4,811,640	243,760	243,760	243,760
Total OTHER Loans	11,121,640	431,564	431,564	431,564
Total - Drinking Water/Wastewater Utility Debt	34,940,015	18,604,650		18,604,650
Drinking Water Capital Assets Net of Related Debt				63,088,816

Storm and Surface Water Utility				
Capital Assets - Storm and Surface Water				22,865,861
PWTFL LOANS				
Log Cabin Stormwater Project	188,600	23,912	35,868	23,912
State Of WA Public Works Board	1,214,018	1,148,288	1,214,017	1,148,288
North Percival Stormdrain	1,570,827	175,046	262,569	175,046
Total PWTFL Loans	2,973,445	1,347,246	1,512,454	1,347,246
Total - Storm and Surface Water Utility Debt	2,973,445	1,347,246		1,347,246
Storm and Surface Water Capital Assets Net of Related Debt				21,518,615

Waste ReSources Utiltiy				
Capital Assets - Waste ReSources				46,015
Total - Waste ReSources Utility Debt	-	-		-
Waste ReSources Capital Assets Net of Related Debt				46,015

Capital Assets Net of Related Debt	84,653,446

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