

2011

Comprehensive Annual Financial Report

(For the Year Ended December 31, 2011)

The City of Mukilteo, Washington

Joe Marine, Mayor

Comprehensive Annual Financial Report



For The Year Ended December 31, 2011

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The Comprehensive Annual Financial Report can be found online at
<http://www.ci.mukilteo.wa.us/>



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City of Mukilteo Public Officials

Elected Officials 2011



Joe Marine
Mayor



Richard Emery
Council President



Jennifer Gregerson
Council Vice President



Linda Grafer
Councilmember



Randy Lord
Councilmember



Kevin Stoltz
Councilmember



Howard T. Tinsley
Councilmember



Emily Vanderwielen
Councilmember

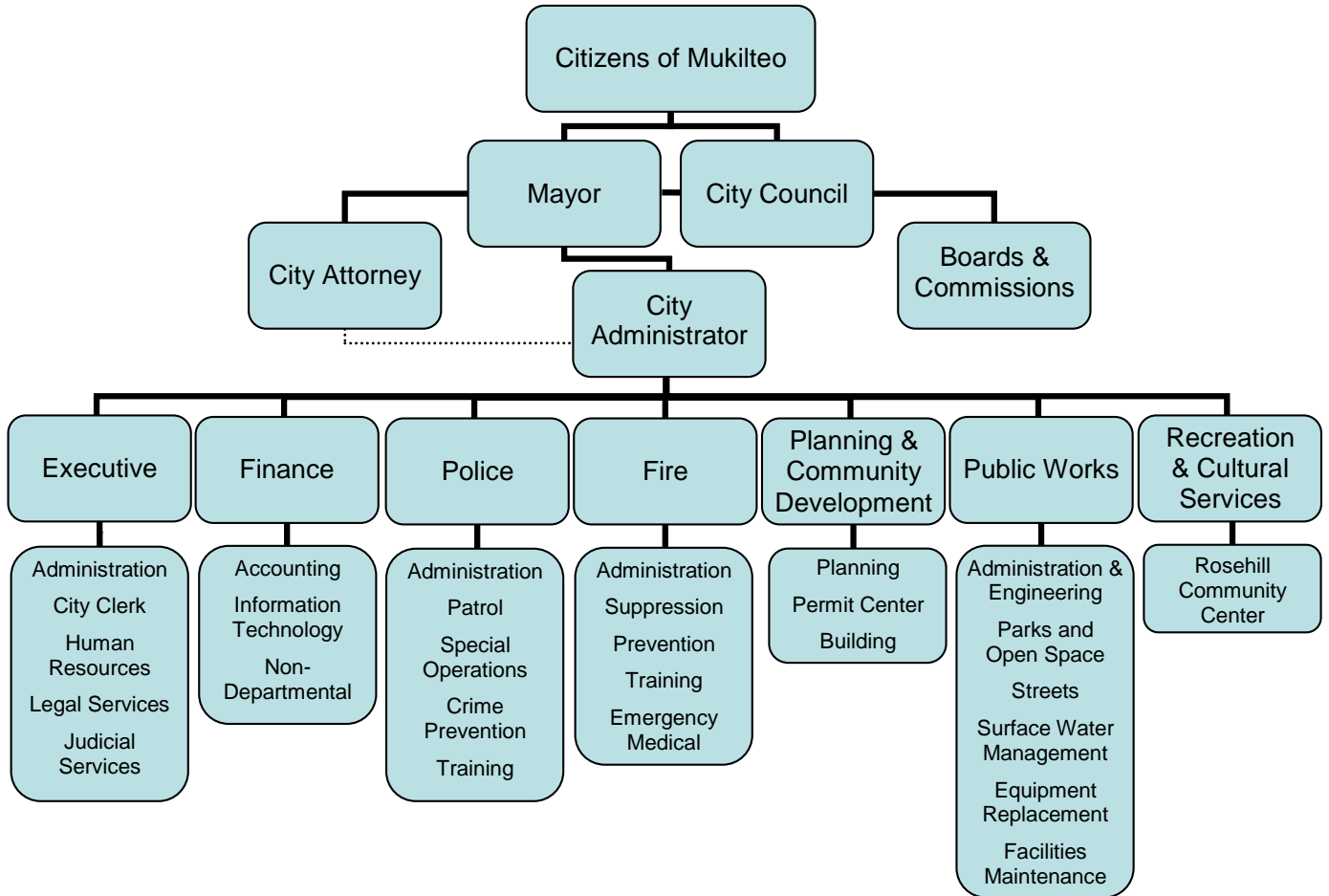
Executive Staff

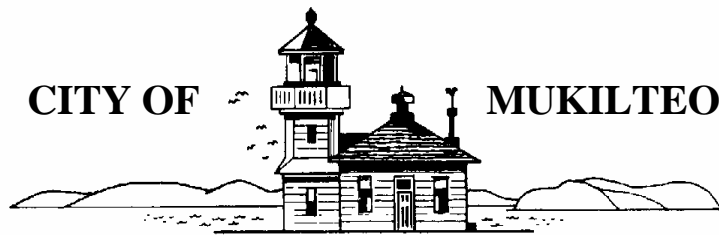
City Administrator
City Clerk
Finance Director
Fire Chief
Planning & Community Development Director
Police Chief
Public Works Director
Recreation & Cultural Services Director

Joe Hannan
Chris Boughman
Scott James, CPA
Mike Springer
Heather McCartney, FAICP
Rex Caldwell
Larry Waters, P.E.
Jennifer Berner



Organization Chart





11930 Cyrus Way, Mukilteo, WA 98275

Letter of Transmittal

October 5, 2012

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Mukilteo:

I am pleased to provide the Comprehensive Annual Financial Report of the City of Mukilteo for the fiscal year ended December 31, 2011. This letter will formally transmit the City of Mukilteo's 2011 Comprehensive Annual Financial Report. This submittal meets the requirements of Washington State Law RCW 43.09.230.

Responsibility for the completeness and reliability of all of the information presented in this report rests with the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). To the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by the Washington State Auditor's office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2011 are free of material misstatements. The State Auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mukilteo's statements are fairly presented in conformity with GAAP. The State Auditor's report is presented as the first component of the financial section of this report.

GAAP requires that the City provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This narrative is titled Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Governmental Profile

On January 22, 1855, a peace treaty was signed in Mukilteo between the Governor of Washington and 82 Native American leaders, representing 22 tribes. Several years later, in 1858, the Jacob D. Fowler family of Poughkeepsie, New York, established the first white settlement in Snohomish County on the northern point of Mukilteo. Mukilteo served as the first county seat of Snohomish County from 1861 until 1897. The City of Mukilteo, as we know it today, was incorporated on May 8, 1947.

Mukilteo is a scenic waterfront community on the Puget Sound with views of the Olympic Peninsula and Olympic Mountains to the west, Whidbey Island to the northwest, and the northern Cascade Mountains to the north and east. The City's beaches are popular scuba diving and crabbing spots. Underwater visitors are treated to views of rockfish, Dungeness crabs, and crustaceans of all kinds as well as occasional sea lions and orcas.

The City is located 25 miles north of downtown Seattle. While the City is known as a "bedroom community" it is also located at the northern end of the Technology Corridor which extends from Bellevue to Mukilteo and is the home of many professional, aeronautical manufacturing, service and light industrial manufacturing businesses. The Mukilteo-to-Clinton (Whidbey Island) ferry service is one of Washington State Ferries' highest volume runs, carrying over 2.3 million vehicles, and over 4 million passengers every year.

In September 2009, the City was issued a “AAA” credit rating by Standards & Poor’s. Subsequently, the City issued \$12,585,000 in councilmanic bonds to fund the construction of a new Community Center. The new 29,000 square foot Community Center opened in February 2011.

In addition to the new Community Center, the City owns a Police Station, two Fire Stations, a Public Works Facility, 74 acres of parks, 357 acres of open space, 84 acres of tideland, and a LEEDS certified City Hall. This is the first LEEDS certified municipal building in Snohomish County, with a green roof, geo thermal heating and cooling, pervious concrete and grass crete parking. These features provide significant environmental and energy savings to the City.

The City of Mukilteo operates as a non-charter code city with a Mayor-Council form of government under the provisions of Revised Code of Washington (RCW) 35A et al. This form is commonly referred to as an “optional code city” that essentially enjoys all the rights and privileges granted to larger cities or charter cities. Legislative authority is vested in a seven member City Council. Council members are elected by position number to four-year overlapping terms. Three to four council members are up for election every two years. The Council is composed of a president and vice-president who are elected by the Council for a one year term each.

The Mayor serves as the Chief Executive Officer and is elected to a four-year term by general election. The Mayor appoints the City Administrator, with confirmation by the Council. The City Administrator oversees all City operations and implements policy direction.

Under RCW 35A.12, the Mayor is responsible for proposing an annual budget to the City Council. The City’s budget year runs from January 1 to December 31.

The Mayor, City Council, City Administrator, Finance Director, and Department Heads work together to develop the budget. The Mayor and City Council discuss and designate budget priorities. Expenditure requests from operating departments and revenue projections for the entire City are reviewed and evaluated. In October each year, the Mayor presents the Preliminary Budget to the City Council and community.

The City prepares its budgets on a cash basis in accordance with state law (Revised Code of Washington 35A.33). Using this basis, transactions are recognized only when cash is increased or decreased. This budget basis is consistent with Generally Accepted Accounting Principles (GAAP).

The annual budget serves five essential purposes. They are: 1) Legal Document – sets forth expenditure limits by fund; 2) Financial Plan – projects revenues and expenditures for the ensuing year; 3) Policy Document – reflecting how approved city expenditures are consistent with overall city policies; 4) Management Tool – documenting service level commitments made by the City departments; and 5) Public Information Document – describes the City’s financial condition, its service objectives for the budget year, and the funding sources available to meet the objectives.

To assure that the budget satisfies each essential purpose, the City follows an established process. The process involves the Mayor, the City Administrator, Department Directors, the City Council, and the public in deliberation periods and decision points. The public participates through direct contact and in public hearings with the City Council, commissions and advisory boards.

State law requires the City to operate within budgeted appropriations at the fund level. When a budget is anticipated to exceed its legal level of authority, appropriations are increased. To accomplish this, the Council considers budget amendments by adopting a City ordinance. As a matter of convenience, the City has a business practice of amending the budget as needed on a quarterly basis.

Local Economy

The information presented in the financial statements is best understood when it is viewed in the broader perspective of the environment within which the City operates. This section will review major factors that impact Mukilteo’s fiscal condition.

Mukilteo has over 1,600 city-licensed businesses, with light manufacturing, business parks, real estate, restaurants and other service industries comprising over half of all licensed businesses. The largest employer in Mukilteo is Boeing which employs 951 employees in the City and has its largest manufacturing site located just outside the city limits. Other major local

employers include the Mukilteo School District, Travis Industries, ElectroImpact, and specialty private sector companies such as DillonWorks.

Development activity is highlighted by government construction projects including continued re-development of the City's Lighthouse Park. This development activity will bring in construction jobs, increase sales tax and provide ongoing revenues such as sales tax, hotel/motel lodging tax, utility tax and business license fees.

Mukilteo's economy began to show signs of slowing in 2008 with total sales tax revenues growing 2.0% compared to 2007's 8.4% growth rate. Sales tax revenues for 2009 reflected the national economic malaise by coming in 24.2% lower than 2008. 2010 sales tax revenues increased 6.0% over 2009. The City's strong cash reserves have helped stabilize the City's operations during this economic downturn. The City will begin 2011 with a General Fund cash balance equating 39.3% of the 2011 General Fund operating budget. In addition, the City Reserve Fund equates 7.9% of the 2011 General Fund operating budget, for a combined 47.2% of its 2011 General Fund operating budget in cash and reserves.

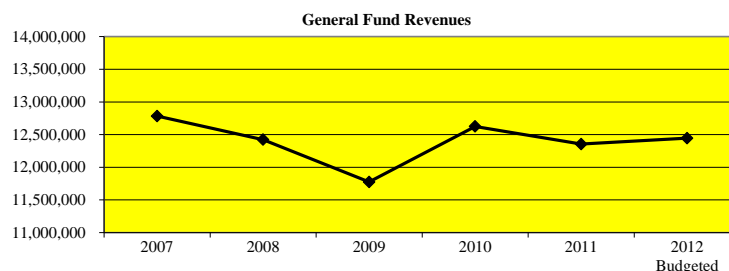
While the rate of property tax to be collected is limited by state law, increases in property values due to high quality development and redevelopment can provide Mukilteo with future increases in the amount of property tax collected. Current land use policies for the city encourage redevelopment, where appropriate, that can add to the city's tax revenues.

Long-range Financial Planning

The economic condition surrounding the City provides reason to be mindful of budgets. With this thought in mind, the City will be broadening the scope of financial decision-making to include a multi-year impact for these decisions. To gain this broader view, the City developed a new tool called a Long-Range Financial Plan.

A Long-Range Financial Plan (LRFP) combines financial forecasting with financial strategizing. With a LRFP, the City can begin to see how today's decisions will affect the City's bottom line tomorrow.

Why does the City need a financial plan? As stated above, the economic challenge facing the City would seem sufficient in and of itself. However, having a financial plan makes for good business. The graph below charts the revenue history for the City's General Fund, the primary operating fund used to collect taxes and fees which are used to pay for many of the city's services such as police, fire & parks:



The chart above shows the impacts of the recession and the slow recovery. A long-range financial plan strategically combines the changes in these revenue streams with the City's goal of providing consistent levels of service from one year to the next. City Management can use a LRFP to identify emerging problems and communicate them to decision makers and citizens before they interrupt the City's ability to provide services.

Additional benefits of having a LRFP are that it can:

- Provide an avenue for Mayor, Council, citizens and staff to discuss policy,
- Provide a "road map" for where the City wants to go financially,
- Be used to help build consensus for making financial decisions,
- Stimulate long-term thinking,
- Clarify the City's strategic intent,
- Impose fiscal discipline, and
- Communicate to citizens.

The City's Long-Range Financial Planning Team completed the City's initial phase of the LRFP in 2011. The first phase focused specifically on the General Fund with subsequent phases to include the City's capital funds. Team members include the Mayor, three Council Members, three citizens, the City Administrator and the Finance Director.

The Long-Range Financial Planning Team will utilize these financial management tools and plans while completing subsequent phases of the long-range financial plan and financial management policies in 2012.

Major Initiatives

The City continues its tradition of significant investments in capital facilities needed to provide services to our community. Construction projects in 2011 included finishing the second phase of Lighthouse Park renovation and moving into the new Community Center. Also, the City received grant funding to purchase 16.7 acres of park and open space land in the Japanese Gulch. In addition, a total of 2.0 miles of pavement improvements were completed in the City during 2011.

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Mukilteo for its 2011 annual budget. This was the seventh consecutive year that the city has achieved this prestigious award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to: Amy De Los Santos and Joyce Alling. Staff would like to express our gratitude to the Mayor, City Administrator and Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Sincerely,



Scott James
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mukilteo
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandson

President

Jeffrey R. Emer

Executive Director



Washington State Auditor Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

October 5, 2012

Mayor and City Council
City of Mukilteo
Mukilteo, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mukilteo, Snohomish County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mukilteo, Snohomish County, Washington, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 and 18, during the year ended December 31, 2011, the City has implemented the Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and Statement No. 51, Accounting and Financial Reporting for Intangible Assets.

In accordance with Government Auditing Standards, we will also issue our report dated October 5, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its

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compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages three through 10 and information on postemployment benefits other than pension on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as supplemental information section on pages 57 through 84 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, flowing script.

BRIAN SONNTAG, CGFM
STATE AUDITOR



Management's Discussion and Analysis

The City of Mukilteo presents this Management's Discussion and Analysis of its financial activities for the year ended December 31, 2011. This information is designed to assist the reader in focusing on significant issues while providing an overview of the City's financial activity. The City encourages readers to consider this information in conjunction with additional information provided in the letter of transmittal and the financial statements and notes that follow.

Financial Highlights

- The assets of the City of Mukilteo exceeded liabilities as of December 31, 2011 by \$189,395,782. Of this amount \$17,896,662 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall financial position declined in 2011 as compared to 2010. The City's total net assets increased by \$3.3 million in 2011. This increase is attributable to a one-time increase from recording right-of-way easements with a value of \$10,580,181 for governmental activities and an increase from business-type activities of \$18,625. Additional information on City's financial condition is discussed below in the Government-wide Financial Analysis.
- During 2011, the City continued working on developing a Long-Range Financial Plan for the City as a strategic financial planning tool to help guide decision makers, inform citizens, to identify problems and opportunities and also provide an avenue for Council, citizens and staff to discuss the City's financial policies.
- At the end of the current fiscal year, the City of Mukilteo's governmental funds reported combined ending fund balances of \$12.8 million, a decrease of \$2.6 million in comparison with the prior year. Approximately \$2.6 million of this amount, or 23 percent of total 2011 General Fund expenditures, is *available for spending* at the government's discretion (*unassigned fund balance*).
- Reflected in the General Fund operating statements, general revenues that were primarily from property, sales, utility and general taxes were used to support the following major activities:
 - a. \$2,634,189 was applied to General Government purposes – City Council, Legal, Administration, and Finance;
 - b. \$6,768,256 for Public Safety – Police, Fire, and Protective Inspection;
 - c. \$215,308 for Physical Environment – Air Pollution and Environment;
 - d. \$9,900 for Transportation – Street maintenance;
 - e. \$902,374 for Economic Environment;
 - f. \$697,235 for Culture and Recreation – Participant Recreation, Parks and Recreation Facilities.
 - g. \$326,482 for Capital Outlay.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other supplementary information. This section will introduce and explain the basic financial statements.

Government-wide financial statements

Government-wide financial statements are designed to provide readers a picture of the financial condition and activities of the City of Mukilteo as a whole, with a broad overview and in a manner similar to private-sector business. The government-wide financial statements have separate columns for governmental activities and business-type activities. The City's governmental activities include general government (legislative, executive, finance and personnel), public safety (police and fire), physical environment, economic environment, culture/recreation and transportation.



The City's business-type activities consist of the surface water utility. Government activities are primarily supported by taxes, charges for services and grants, while business-type activities are self supporting through user fees and charges.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities with the difference between the two reported as net assets. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets may serve as a useful indicator of improvement or deterioration in the City's overall financial health.

The **Statement of Activities** presents information designed to show how the City's net assets changed during the year. This statement distinguishes revenue generated by specific functions (program revenue) from revenue provided by taxes and other sources not related to a specific function. Program revenue (charges for services, grants and contributions) is compared to expenses for those functions in order to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year are included in the statement of activities as revenues and expenses even though no cash has changed hands.

The government-wide financial statements can be found immediately following the Management Discussion & Analysis.

Fund Financial Statements

The fund financial statement will look familiar to the traditional users of governmental financial statements. However, the focus now is on major funds rather than fund types.

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining what financial resources are available in the near future to finance the City's programs.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for government activities in the government-wide financial statements. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison.

Information for the three major governmental funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances; information for the non-major funds is presented in the aggregate.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail, since both use the accrual basis of accounting. Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements.



The City has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

The enterprise fund statements provide information for the City's surface water utility. The City uses internal service funds to account for its fleet of vehicles and facilities maintenance. Because these services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds account for assets held by the City in a trustee capacity. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support City programs. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets as part of the basic financial statements.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Other Supplementary Information

Combining statements for non-major governmental funds are presented immediately following Notes to the Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The statement of net assets can serve as a useful indicator of the City's financial position. The City's net assets on December 31, 2010 and 2011 total \$186,086,166 and \$189,395,782, respectively. Following is a condensed version of the government-wide statement of net assets for 2011 compared with 2010.

Figure 1: Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$16,026,754	\$18,287,498	\$1,869,908	\$1,685,615	\$17,896,662	\$19,973,113
Capital Assets	181,964,662	176,834,573	3,730,620	3,914,484	185,695,282	180,749,057
Total Assets	197,991,416	195,122,071	5,600,528	5,600,099	203,591,944	200,722,171
Liabilities						
Current and Other Liabilities	1,184,719	1,159,517	57,136	77,519	1,241,856	1,237,036
Long-term Liabilities	12,947,223	13,394,072	7,083	4,896	12,954,306	13,398,968
Total Liabilities	14,131,943	14,553,589	64,219	82,415	14,196,162	14,636,004
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$170,334,986	\$166,764,649	\$3,730,620	\$3,914,484	174,065,606	\$170,679,133
Restricted	5,954,141	5,904,247	0	0	5,954,141	5,904,247
Unrestricted	7,570,347	7,899,586	1,805,689	1,603,200	9,376,035	9,502,786
Total Net Assets	\$183,859,474	\$180,568,482	\$5,536,308	\$5,517,684	\$189,395,782	\$186,086,166

As noted earlier, the Statement of Net Assets can serve as one indicator of City's overall financial health. The City of Mukilteo's assets exceeded liabilities by \$189,395,782 as of December 31, 2011 and by \$186,086,166 as of December 31, 2010.

The largest portion of the City's net assets (91.9%) reflects investment of \$174 million in capital assets such as land, buildings, and equipment. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.



The restricted portion of net assets of \$5.9 million or 3.1% of the total net assets primarily consist of \$5.0 million for capital improvements, \$445,000 for emergency medical services, and \$330,000 for transportation. Additional information on the City's restricted portion of net assets can be found in note 12. The unrestricted portion of net assets of \$9.3 million or 5.0 % of the total net assets may be used to meet ongoing obligations to citizens and creditors.

Change in Net Assets

The change in net assets table illustrates the increases and decreases in net assets of the City resulting from its operating activities. The City's net assets increased approximately \$3.3 million in 2011. The increase is attributable to an increase from governmental activities of \$3,290,992 and an increase from business-type activities of \$18,625.

The following is a condensed version of the City's changes in net assets. The table below shows revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type activities for 2010 and 2011.

Figure 2: Changes in Net Assets Resulting from Revenues and Expenses

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenue:						
Charges for Services	\$2,696,828	\$2,757,130	\$1,385,525	\$1,233,380	\$4,082,352	\$3,990,510
Operating Grants and Contributions	112,943	310,635	0	0	112,943	310,635
Capital Grants and Contributions	864,468	1,672,170	0	0	864,468	1,672,170
General Revenues:						
Property Taxes	6,277,896	5,510,291	0	0	6,277,896	5,510,291
Sales Taxes	2,281,034	2,138,984	0	0	2,281,034	2,138,984
Other Taxes	4,534,052	4,371,704	0	0	4,534,052	4,371,704
Interest and Investment earnings	35,052	65,975	3,080	5,103	38,133	71,078
Other	200,612	129,001	0	0	200,612	129,001
Total Revenue	\$17,002,884	\$16,955,890	\$1,388,605	\$1,238,483	\$18,391,489	\$18,194,373
Expenses						
Governmental Activities						
General government	\$3,444,222	\$3,325,827	\$0	\$0	3,444,222	3,325,827
Public safety	8,681,873	8,460,885	0	0	8,681,873	8,460,885
Physical environment	282,463	364,312	0	0	282,463	364,312
Economic environment	1,047,456	1,716,074	0	0	1,047,456	1,716,074
Culture and recreation	1,693,891	1,627,024	0	0	1,693,891	1,627,024
Transportation	8,695,553	8,964,903	0	0	8,695,553	8,964,903
Interest on debt	446,615	459,430	0	0	446,615	459,430
Business-Type Activities						
Surface Water Management	0	0	1,369,980	1,388,871	1,369,980	1,388,871
Total Expenses	\$24,292,073	\$24,918,455	\$1,369,980	\$1,388,871	\$25,662,054	\$26,307,327
Excess (Deficiency) Before Transfers	(7,289,189)	(7,962,565)	18,625	(150,388)	(7,270,564)	(8,112,954)
Transfers	0	(4,998)	0	4,998	0	0
Increase (Decrease) in Net Assets	(7,289,189)	(7,967,563)	18,625	(145,390)	(7,270,564)	(8,112,954)
Net Assets - Beginning of Year	180,568,482	188,548,391	5,517,684	5,663,074	186,086,166	194,211,465
Prior Year Adjustments	10,580,181	(12,346)	0	0	10,580,181	(12,346)
Net Assets - End of Year	\$183,859,474	\$180,568,482	\$5,536,309	\$5,517,684	\$189,395,783	\$186,086,165

Governmental Activities Analysis

In 2010 Net Assets totaled \$180,568,482, and totaled \$183,859,474 in 2011, an increase of \$3,290,992. Key elements of the 2011 increase are as follows:

- Cost of all governmental activities in 2011 was \$24.3 million. Of this amount, \$3.6 million was paid for by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) or \$20.6 million was the cost of governmental services paid primarily by the City's taxpayers.
- Sales, property, and utility taxes are the primary sources of tax revenue available to fund general city operations. Retail sales and use tax revenues increased from 2010 levels by \$142,050 or 6.6% primarily



from increases from construction, restaurant and retail sales tax. Property tax collections available for general use increased \$767,605 or 13.9%. Utility tax revenue growth increased slightly for the year.

- Charges for Services, including business license & development fees, permits, inspections and plan review services, increased by 2.2% over 2010, due to increases from license & permit activities.
- Overall governmental activities expenses decreased in 2011 over 2010 by 2.5% at \$626,382.

Business-Type Activities Analysis

The City's Surface Water Management Fund's financial position increased slightly in 2011 with net assets increasing by \$18,625. 2011 charges for service revenues of \$1,385,525 showed an increase of \$152,145 from 2010 collections, and operating costs including personnel services, supplies and professional services decreased \$18,891.

At the end of the current fiscal year, the City's Surface Water Management Fund reported ending net assets of \$5.5 million. Of this amount \$3.7 million is invested in capital assets and \$1.8 million constitutes unrestricted balance, which is available for discretionary spending.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

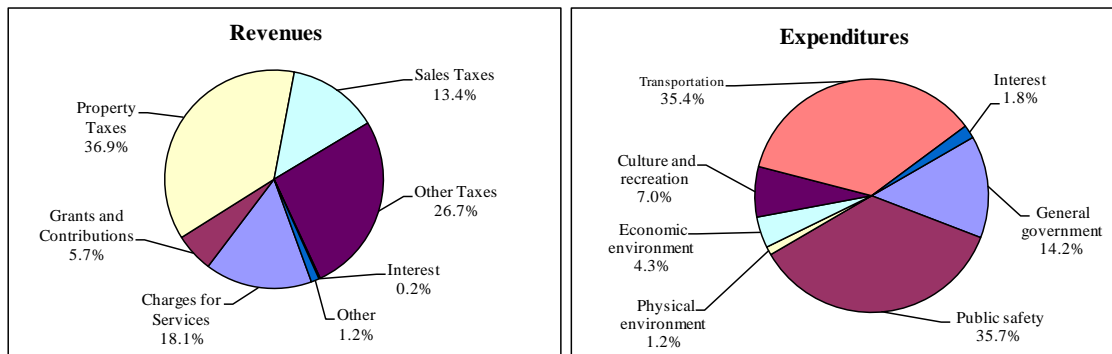
As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds analysis is to provide information on near-term revenues/financial resources and expenditures. This information helps determine the City's financing requirements in the near future. In particular, fund balance measures the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the City's governmental funds reported ending fund balances of \$12.8 million. Approximately \$2.6 million (20.3%) of that amount constitutes unassigned fund balance, which is available for discretionary spending. The remainder of the fund balance is restricted, assigned; or is committed for various purposes and is not available for new spending. Revenues for the governmental funds in 2011 were \$16.9 million. Expenditures were \$19.2 million. Overall, fund balances decreased \$2.7 million for the year.

Figure 3: Governmental Activities



The General Fund is the main operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless legally required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2011, the fund balance of the General Fund was \$6,421,912. As a measure of fund's liquidity, the ending fund balance is 55.6% of the fund's 2011 expenditures. As of December 31, 2011, total assets were \$7,222,940 and total liabilities were \$801,028. The net change in fund balance for the General Fund in 2011 was a decrease of \$207,049 or 3.1% from the 2010 ending balance. This decrease was primarily the result of on-going revenues coming in lower than on-going revenues and the City's desire to minimize service level changes offered to residents and businesses.

The Recreation & Cultural Services Fund – is a special revenue fund, which receives recreation and cultural service activities fee and rental revenues and funds the expenditures for the operations and maintenance of the



Rosehill Community Center building and programs. At the end of 2011, the fund balance was \$14,998. As a measure of fund's liquidity, the ending fund balance is 2.7% of the fund's 2011 expenditures. As of December 31, 2011, total assets were \$210,152 and total liabilities were \$195,154. The net change in fund balance for 2011 was a decrease of \$40,802 or 73.0% from the 2010 ending balance. This decrease was primarily the result of a planned spend down of fund balance.

Emergency Medical Services Fund – is a special revenue fund which receives revenues from a voter approved tax levy to fund advanced life support services. At the end of 2011, the fund balance was \$445,246. As a measure of fund's liquidity, the ending fund balance is 22.9% of the fund's 2011 expenditures. As of December 31, 2011, total assets were \$527,217 and total liabilities were \$81,972. The net change in fund balance for 2011 was an increase of \$71,933 or 19.3% from the 2010 ending balance. This increase resulted primarily from the planned purchase of an aid car which was ultimately deferred until 2012, and due to the planned accumulation of reserves for future equipment replacement.

The Real Estate Excise Tax I Fund – is a capital projects fund, which accounts for real estate excise tax (REET) proceeds from the first 0.25% of the tax that is locally imposed on all sales of real estate. At the end of 2011, the fund balance was \$4,711,180. As a measure of fund's liquidity, the ending fund balance is 5 times the fund's 2011 expenditures and transfers out. As of December 31, 2011, total assets were \$4,711,257 and total liabilities were \$77. The net change in fund balance for 2011 was a decrease of \$525,803 or 10% from the 2010 ending balance. The City is carefully managing the spend down of fund balance as the local economy continues its recovery.

Community Center Project Fund – is a capital project fund which accounts for expenditures related to construction of the City's new Community Center. At the end of 2011, the fund balance was \$495,658. As a measure of fund's liquidity, the ending fund balance is 23.6% of the fund's 2011 expenditures. As of December 31, 2011, total assets were \$521,671 and total liabilities were \$26,013. The net change in fund balance for 2011 was a decrease of \$2,094,871 or 80.9% from the 2010 ending balance. This decrease represents continuing expenditures for the construction of the community center, which was completed in 2011.

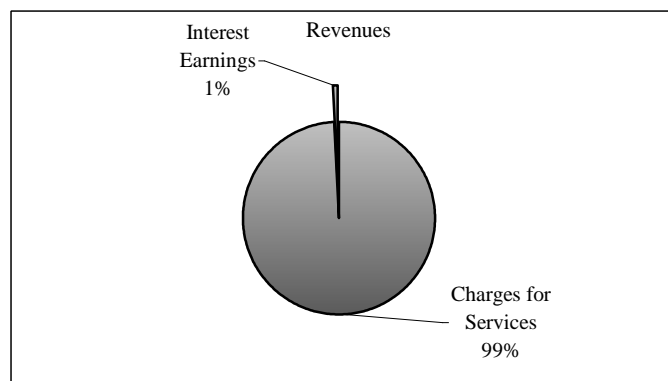
Other Governmental Funds – the City has ten other governmental funds, which includes five special revenue funds, four capital projects funds and one debt service fund. These funds reported total assets of \$1,270,968, total liabilities of \$375,799 and fund balances of \$895,169.

Business-type Activities

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Surface Water Management Fund at the end of the year amounted to \$5.5 million. The largest portion of proprietary net assets, \$3.7 million (67%) reflects investment in capital assets. The remaining \$1.8 million (33%) represents unrestricted funds. The revenues of the fund are primarily generated from stormwater fees.

Figure 4: Proprietary, or "Business-Type" Activities





GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was \$351,143 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- \$16,000 in appropriations for indigent defense attorney services,
- \$27,000 in appropriations for Everett District Court was added.
- \$82,500 in appropriations for operating transfer to the Street Fund was added.
- \$10,950 in appropriations for operating transfer to the Recreation & Cultural Services Fund was added.
- \$36,900 in appropriations for public safety equipment was added.
- \$18,500 in appropriations for fuel costs was added.
- \$65,300 in appropriations for personnel expenses was added.
- \$11,000 in appropriations for technology consultant was added.
- \$63,000 in appropriations for capital upgrades to commuter parking.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that the total revenues exceeded the budgeted total revenues by approximately \$463,600. Total tax revenues matched budgeted tax revenues. Business license and permits revenues exceeded budget by \$73,000 and \$65,000 respectively. Grant revenues exceeded by \$194,000. Anticipated charges for services and fines & forfeitures came in over expectations.

Expenditures were \$502,793 below budget, which primarily consisted of \$299,000 savings on expenditures for services, \$128,000 savings on capital expenditures and intergovernmental expenditures savings of \$14,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$185.4 million (net of accumulated depreciation).

Figure 5: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$24,454,988	\$24,454,988	\$150,000	\$150,000	\$24,604,988	\$24,604,988
Right of way easements	10,580,181	0	0	0	10,580,181	0
Art collection	175,520	175,520	0	0	175,520	175,520
Building	15,852,863	16,485,849	0	0	15,852,863	16,485,849
Improvements other than buildings	5,325,052	5,157,235	3,101,831	3,359,426	8,426,883	8,516,661
Machinery & equipment	2,497,833	2,242,141	145,275	163,774	2,643,108	2,405,915
Infrastructure	105,922,906	113,785,582	0	0	105,922,906	113,785,582
Construction in Progress	16,876,061	14,219,583	333,513	241,284	17,209,574	14,460,867
	<u>\$181,685,403</u>	<u>\$176,520,898</u>	<u>\$3,730,620</u>	<u>\$3,914,484</u>	<u>\$185,416,023</u>	<u>\$180,435,382</u>

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-Term Debt

During 2009 Standard & Poor's assigned its highest municipal bond rating of "AAA" for the City's issuance of \$12,585,000 limited tax general obligation bonds for the construction of a new community center. The 2009 bond debt is backed by the full faith and credit of the City. Principal payments began in 2010. Additional information on long-term debt can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's 2012 budget is a continuation of our plan to keep the City on solid ground for providing services to our citizens during 2012 and for years to come. The plan for the City recognizes the financially unsettling times we are experiencing as a community, but also recognizes the fact that we cannot control the economy as a whole. With this



being said, the 2012 Budget lays out the City's vision for achieving our immediate priorities and implementing our long-term goals beyond 2012.

The budget emphasizes working with what we have and with what we are. To capture an outsiders point-of-view of who we are and what we have, we will share a few perspectives from CNN's 2011 poll and Money Magazine's September 2011 article on **100 Best Places to Live in America** and Standard & Poor's bond rating rationale.

- We can't say enough about how proud we are of having our beautiful City rated ninth best City to live in America by CNN and Money magazine. Money magazine states "What's more, as West Coast towns go, Mukilteo is in good economic shape. Bank-owned homes represent a small fraction of the houses on the market, and area employers, including Boeing, are hiring again. The town is spending to beef up its attractions: A new 29,000-square foot community center made its debut in February, and historic Lighthouse Park recently got a makeover."
- Additionally, Standard and Poor's spent many hours in understanding the City's finances and financial policies while developing their credit rating for our new Community Center bond issue. Standard & Poor's research concluded by recognizing our City's unique financial position by bestowing their highest rating of AAA on us. There are only four other municipalities in the State to receive this high of a rating. This AAA rating states a lot more about what kind of City Mukilteo has become and where we are heading than simply telling investors we are a safe haven to invest in. To quote Standard & Poor's bond rating rationale, they state the basis for our credit strengths include:
 - "What we consider to be very strong wealth and income levels;
 - Maintenance of very strong unrestricted fund balances
 - Good financial policies and practices; and
 - Low to moderate debt burden with low carrying charges."

These amenities CNN, Money magazine and Standard & Poor's identify have only come into existence through thoughtful policy development and deployment. And these policies have been brought into existence through laboring many hours at Council meetings, Council Worksessions and Committee Meetings.

Yes, much time was spent in 2011 working on setting priorities, understanding details, creating a long-range financial plan, updating the Comprehensive and Capital Facilities Plans all the while looking to the long term health, public safety and viability of our City.

Keeping our City on solid ground has been and will be a subject of discussion by Council and staff with citizens. This discussion centers on five areas: the City's Comprehensive Plan, maintaining our infrastructure, keeping our community safe, development of the City's Long-range Financial Plan and on protection of Paine Field for Boeing and airplane manufacturing.

The City's **main priority** for the past five years and continues for 2012: **Keeping Our Community Safe**. During the past five years we strategically staffed our Police and Fire departments with the goal to fully provide efficient, fast and reliable emergency medical, fire response and law enforcement. The 2012 budget provides funding to maintain this goal.

The City's financial health and stability is intricately linked to these top priorities. In 2010, we officially launched the City's **Long-range Financial Planning Team**. In 2012, this team will continue reviewing and recommending updates to the City's financial policies and financial plan. Once complete, the Long-range Financial Plan will serve as the backbone to how the City's budget will be developed and deployed.

The 2012 budget plan recognizes that **2012 has been a particularly challenging year financially** not only for Mukilteo, but the region and nation as a whole. The weakness in our economy presented substantial challenges in developing the 2012 budget. The magnitude of the economic downturn resulted in a budget balancing strategy that included the use of expenditure reductions, revenue increases, use of reserves and undertaking economic development initiatives.



2012 Budget Overview

Anticipated revenues for all funds total \$20.3 million and are 2.5% lower than 2011. Total expenditures are \$22.1 million and are \$4.2 million lower than last year's budget. The Rosehill Community Center construction and related expenses were paid in 2011, which accounts for the majority of 2012 expenditure reduction.

Keeping with the City's fiscally conservative approach, the budget includes a City Reserve of \$1,000,000 and an estimated ending General Fund balance of \$4,120,176, which equals 33.1% of 2012 General Fund expenditures.

Requests for Information

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about this report, please contact the Finance Director, 11930 Cyrus Way, Mukilteo, WA 98275, (425) 263-8030.



CITY OF MUKILTEO

Basic Financial Statements

Statement of Net Assets December 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	14,317,850	\$1,734,548	\$16,052,398
Accounts receivable, net	727,405	135,360	862,766
Taxes receivable	866,198	0	866,198
Prepays	1,000	0	1,000
Deferred bond issuance costs	114,301	0	114,301
Investment in joint venture	279,259	0	279,259
Land	24,454,988	150,000	24,604,988
Right of way easements	10,580,181	0	10,580,181
Art collection	175,520	0	175,520
Capital assets (net)	129,598,653	3,247,107	132,845,759
Construction in progress	16,876,061	333,513	17,209,574
TOTAL ASSETS	\$197,991,415	\$5,600,528	\$203,591,944
LIABILITIES			
Accounts payable and other current liabilities	1,184,719	\$57,136	\$1,241,855
Non-current liabilities			
Due within one year	1,071,361	0	1,071,361
Due in more than one year	11,875,862	7,083	11,882,945
TOTAL LIABILITIES	\$14,131,942	\$64,219	\$14,196,161
NET ASSETS			
Invested in capital assets net of related debt	\$170,334,985	\$3,730,620	\$174,065,605
Restricted for:			
Capital improvements	5,029,121	0	5,029,121
Emergency medical services	445,246	0	445,246
Transportation	329,981	0	329,981
Other	149,794	0	149,794
Unrestricted	7,570,347	1,805,689	9,376,035
TOTAL NET ASSETS	\$183,859,473	\$5,536,308	\$189,395,782



CITY OF MUKILTEO

Basic Financial Statements

Statement of Activities For the year ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Government activities:							
General government	3,091,781	\$1,292,326	\$0	\$0	(\$1,799,455)	\$0	(\$1,799,455)
Public safety	8,930,258	913,889	75,857	0	(7,940,513)	0	(7,940,513)
Physical environment	282,463	136,164	0	0	(146,300)	0	(146,300)
Economic environment	1,055,821	0	0	0	(1,055,821)	0	(1,055,821)
Culture and recreation	1,712,144	354,449	0	864,468	(493,227)	0	(493,227)
Transportation	8,779,461	0	37,086	0	(8,742,375)	0	(8,742,375)
Interest on debt	440,145	0	0	0	(440,145)	0	(440,145)
Total governmental activities	24,292,075	2,696,828	112,943	864,468	(20,617,835)	0	(20,617,835)
Business-type activities:							
Surface Water Management	1,369,980	1,385,525	0	0	0	15,544	15,544
Total business-type activities	1,369,980	1,385,525	0	0	0	15,544	15,544
Total primary government	\$25,662,055	\$4,082,352	\$112,943	\$864,468	(\$20,617,835)	\$15,544	(\$20,602,291)
General Revenues:							
Property taxes					\$6,277,896	\$0	\$6,277,896
Sales taxes					2,281,034	0	2,281,034
Utility taxes					2,794,610	0	2,794,610
Fuel taxes					420,586	0	420,586
Excise taxes					1,150,930	0	1,150,930
Hotel/Motel taxes					167,927	0	167,927
Interest and investment earnings					35,052	3,080	38,133
Miscellaneous					200,611	0	200,611
Transfers					0	0	0
Total general revenues and transfers					13,328,646	3,080	13,331,726
Change in net assets					(7,289,190)	18,625	(7,270,565)
Net assets at beginning of year					180,568,482	5,517,684	186,086,166
Prior period adjustment					10,580,181	0	10,580,181
Net assets at end of year					\$183,859,473	\$5,536,308	\$189,395,781



CITY OF MUKILTEO

Basic Financial Statements

Balance Sheet – Governmental Funds

December 31, 2011

	General Fund	Recreation & Cultural Services Fund	Emergency Medical Services Fund	Real Estate Excise Tax I Fund	Community Center Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$6,014,776	\$210,132	\$391,192	\$4,582,770	\$521,671	\$882,075	\$12,602,617
Receivables, net							
Accounts receivable	434,228	20	127,620	0	0	165,537	727,405
Taxes receivable	772,936	0	8,405	21,654	0	63,202	866,198
Interfund loans receivable	0	0	0	106,832	0	0	106,832
Prepayments	1,000	0	0	0	0	0	1,000
TOTAL ASSETS	\$7,222,940	\$210,152	\$527,217	\$4,711,257	\$521,671	\$1,110,815	\$14,304,053
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$259,249	\$23,241	\$21,237	\$77	\$26,013	\$26,198	\$356,014
Wages payable	402,798	16,394	60,735	0	0	17,762	497,689
Interfund loans payable	0	0	0	0	0	294,402	294,402
Deposits payable	127,105	50,870	0	0	0	18,400	196,374
Deferred revenue	11,663	104,650	0	0	0	0	116,313
Other accrued liabilities	214	0	0	0	0	0	214
TOTAL LIABILITIES	801,028	195,154	81,972	77	26,013	356,762	1,461,005
Fund Balance:							
Nonspendable	\$1,000	\$0	\$0	\$0	\$0	\$0	\$1,000
Restricted	50,996	0	445,246	4,711,180	495,658	718,822	6,421,902
Committed	291,381	0	0	0	0	0	291,381
Assigned	3,470,277	14,998	0	0	0	35,232	3,520,506
Unassigned	2,608,258	0	0	0	0	0	2,608,258
TOTAL FUND BALANCES	6,421,912	14,998	445,246	4,711,180	495,658	754,053	12,843,047
TOTAL LIABILITIES AND FUND BALANCES	\$7,222,940	\$210,152	\$527,217	\$4,711,257	\$521,671	\$1,110,815	\$14,304,053

**Reconciliation - Balance Sheet of Governmental Funds to the Statement of Net Assets
December 31, 2011**

Total governmental fund balances 12,843,046

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

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

Land	24,454,988
Right of way easements	10,580,181
Art Collection	175,520
Construction in progress	16,876,061
Buildings	19,951,599
Improvements other than buildings	7,150,449
Machinery and equipment - General Government	6,660,988
Infrastructure	263,711,357
Less: Accumulated Depreciation	(167,875,740)

Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.

Investment in Joint Venture 279,259

Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.

These long-term liabilities consist of:

Bonds Payable (net)	(11,967,540)
Deferred charge for issuance costs (to be amortized over life of bond)	114,301
Other post-employment benefits	(109,285)
Compensated absences	(870,398)

Internal service fund is used by management to charge the costs of equipment rental to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

1,884,688

Net assets of governmental activities

183,859,474



CITY OF MUKILTEO

Basic Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the year ended December 31, 2011

	General Fund	Recreation & Cultural Services Fund	Emergency Medical Services Fund	Real Estate Excise Tax I Fund	Community Center Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	9,613,330	0	1,749,615	400,605	0	568,532	\$12,332,083
Licenses and permits	1,155,800	275	0	0	0	0	1,156,075
Intergovernmental revenues	676,585	0	0	0	0	1,097,715	1,774,299
Charges for services	485,461	127,649	255,858	0	0	68,873	937,840
Fines and forfeitures	214,927	0	0	0	0	0	214,927
Miscellaneous	296,394	149,273	8,382	9,779	2,169	67,617	533,614
TOTAL REVENUES	12,442,496	277,197	2,013,855	410,384	2,169	1,802,736	16,948,838
EXPENDITURES							
Current							
General government services	2,634,189	0	0	0	0	0	2,634,189
Public safety	6,768,256	0	1,931,936	0	0	25,094	8,725,287
Physical environment	215,308	0	0	0	0	78,750	294,058
Transportation	9,900	0	0	0	0	711,502	721,402
Economic environment	902,374	0	0	0	0	105,177	1,007,551
Culture and recreation	697,235	560,299	0	0	0	0	1,257,535
Debt Service							
Principal	0	0	0	0	0	470,000	470,000
Interest	0	0	0	0	0	440,145	440,145
Capital outlay	326,482	0	9,986	96,887	2,097,040	1,177,005	3,707,400
TOTAL EXPENDITURES	11,553,745	560,299	1,941,923	96,887	2,097,040	3,007,673	19,257,567
Excess of revenues over (under) expenditures	888,751	(283,102)	71,933	313,497	(2,094,871)	(1,204,937)	(2,308,729)
OTHER FINANCING SOURCES (USES):							
Transfers in	0	242,300	0	0	0	1,340,850	1,583,150
Transfers out	(1,095,800)	0	0	(839,300)	0	(70,050)	(2,005,150)
TOTAL OTHER FINANCING SOURCES (USES)	(1,095,800)	242,300	0	(839,300)	0	1,270,800	(422,000)
Net change in fund balances	(207,049)	(40,802)	71,933	(525,803)	(2,094,871)	65,863	(2,730,729)
Fund balances - beginning	6,628,960	55,800	373,313	5,236,983	2,590,529	688,190	15,573,776
FUND BALANCES - ENDING	\$6,421,912	\$14,998	\$445,246	\$4,711,180	\$495,658	\$754,053	\$12,843,047



**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds – to the Statement of Activities
For the year ended December 31, 2011**

Net change in fund balances - total governmental funds (2,730,729)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives.

Capital outlays	3,707,400
Current year depreciation	(9,240,317)
Loss on disposal of fixed assets	(15,718)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in other post-employment benefits payable	(23,532)
Change in compensated absences payable	(17,027)
Depreciation of Investment in Joint Venture	(34,416)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of assets.

Principal payments	470,000
--------------------	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of bond issuance costs	(6,470)
Amortization of bond premium	17,408

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds are reported with governmental activities.

584,212

Change in net assets of governmental activities (7,289,189)



CITY OF MUKILTEO

Basic Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual General Fund

For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$9,456,300	\$9,613,800	\$9,613,330	(\$470)
Licenses	1,004,200	1,004,200	1,155,800	151,600
Intergovernmental revenues	432,800	456,126	676,585	220,459
Charges for services	478,200	449,000	485,461	36,461
Fines and forfeitures	172,600	205,600	214,927	9,327
Miscellaneous	225,350	246,975	296,394	49,419
TOTAL REVENUES	11,769,450	11,975,701	12,442,496	466,795
EXPENDITURES				
Current				
General government services	2,570,650	2,698,250	2,634,189	(64,061)
Public safety	6,688,650	6,738,426	6,768,256	29,830
Physical environment	231,650	231,350	215,308	(16,042)
Transportation	0	29,667	9,900	(19,767)
Economic environment	1,146,230	1,149,430	902,374	(247,056)
Culture and recreation	722,500	736,400	697,235	(39,165)
Capital outlay	418,600	475,600	326,482	(149,118)
TOTAL EXPENDITURES	11,778,280	12,059,123	11,553,745	(505,378)
Excess of revenues over expenditures	(8,830)	(83,422)	888,751	972,173
OTHER FINANCING SOURCES (USES):				
Transfers in	256,000	256,000	256,000	0
Transfers out	(1,233,900)	(1,318,100)	(1,351,800)	(33,700)
Debt Service	(5,400)	0	0	0
TOTAL OTHER FINANCING SOURCES USES)	(983,300)	(1,062,100)	(1,095,800)	(33,700)
Net change in fund balances	(992,130)	(1,145,522)	(207,049)	938,473
Fund balances - beginning	6,096,300	6,096,300	6,628,960	532,660
FUND BALANCES - ENDING	\$5,104,170	\$4,950,778	\$6,421,912	\$1,471,134



**Statement of Net Assets
Proprietary Funds
December 31, 2011**

	Business Activities - Enterprise Funds Surface Water Management Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,734,548	\$1,715,233
Accounts receivable	135,360	0
Interfund loans receivable	0	187,569
Total Current Assets	<u>1,869,908</u>	<u>1,902,803</u>
Noncurrent assets:		
Capital assets, net		
Land	150,000	0
Buildings	0	3,264
Other improvements	3,101,830	7,190
Machinery and equipment	145,276	1,210,823
Construction in Progress	333,513	0
Total Noncurrent Assets	<u>3,730,620</u>	<u>1,221,276</u>
TOTAL ASSETS	<u>5,600,528</u>	<u>3,124,080</u>
LIABILITIES		
Current Liabilities		
Wages payable	48,890	1,549
Accounts payable	8,247	16,566
Total Current Liabilities	<u>57,136</u>	<u>18,115</u>
Noncurrent Liabilities		
Compensated Absences	7,083	0
Total Noncurrent Liabilities	<u>7,083</u>	<u>0</u>
TOTAL LIABILITIES	<u>64,219</u>	<u>18,115</u>
NET ASSETS		
Invested in capital assets	3,730,620	1,221,277
Unrestricted	1,805,689	1,884,688
TOTAL NET ASSETS	<u>\$5,536,308</u>	<u>\$3,105,965</u>



CITY OF MUKILTEO

Basic Financial Statements

Statement of Revenues, Expenditures and Changes in Net Assets Proprietary Funds For the year ended December 31, 2011

	<u>Business Activities - Enterprise Funds Surface Water Management Fund</u>	<u>Governmental Activities Internal Service Funds</u>
OPERATING REVENUE:		
Charges for services	\$1,254,691	\$770,800
Intergovernmental services	130,813	0
Miscellaneous	21	86
TOTAL OPERATING REVENUE	<u>1,385,525</u>	<u>770,886</u>
OPERATING EXPENSES:		
Personnel services	606,287	99,706
Supplies	31,192	34,971
Other services and charges	384,204	246,405
Intergovernmental services	63,604	0
Depreciation	284,694	230,362
TOTAL OPERATING EXPENSES	<u>1,369,980</u>	<u>611,444</u>
Operating Income (Loss)	<u>15,544</u>	<u>159,442</u>
NON-OPERATING REVENUE (EXPENSES):		
Investment income	3,080	2,770
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>3,080</u>	<u>2,770</u>
Income (Loss) Before Transfers	18,625	162,212
Transfers in	0	422,000
Transfers out	0	0
Change in Net assets	18,625	584,212
NET ASSETS BEGINNING	<u>5,517,684</u>	<u>2,521,753</u>
NET ASSETS ENDING	<u>\$5,536,308</u>	<u>\$3,105,965</u>



CITY OF MUKILTEO

Basic Financial Statements

Statement of Cash Flows Proprietary Funds For the year ended December 31, 2011

	Business Activities - Enterprise Funds Surface Water Management Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	1,379,929	772,545
Payments to suppliers	(497,195)	(288,617)
Payments to employees	(606,287)	(99,706)
NET CASH PROVIDED BY OPERATING ACTIVITIES	276,447	384,223
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers (to)/from other funds	0	422,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	0	422,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds of interfund loan	0	45,000
Acquisition and construction of capital assets	(100,830)	(363,322)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(100,830)	(318,322)
CASH FLOW FROM INVESTING ACTIVITIES:		
Investment income	3,080	2,770
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,080	2,770
Net Increase (Decrease) in Cash and Cash Equivalents	178,698	490,671
Cash and Cash Equivalents, January 1	1,555,850	1,224,561
CASH AND CASH EQUIVALENTS, DECEMBER 31	1,734,548	1,715,232
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	15,544	159,442
Adjustments to Reconcile Operating Income to Net Cash Provided (used by Operating Activities)		
Depreciation	284,694	230,362
Change in Current Assets and Liabilities		
(Increase) decrease in receivables	(5,595)	1,659
Increase (decrease) in accounts payable	(18,196)	(7,240)
TOTAL ADJUSTMENTS	260,903	224,781
NET CASH PROVIDED BY OPERATING ACTIVITIES	276,447	384,223



CITY OF MUKILTEO

Basic Financial Statements

Statement of Fiduciary Net Assets Fiduciary Funds December 31, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	30,959
TOTAL ASSETS	<u>30,959</u>
LIABILITIES	
Checks Payable	334
Due to State - Building Code Fees	1,256
Leasehold Excise Tax Payable	5,148
Due to State - Forfeits & Seizures	121
Sales and Use Tax Payable	2,841
Deposits	21,261
TOTAL LIABILITIES	<u>30,959</u>



**Notes to the Financial Statements
December 31, 2011**

The following notes are an integral part of the accompanying financial statements.

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Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Mukilteo 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 Mukilteo was incorporated on May 12, 1947 and operates as a non-charter code city with a Mayor-Council form of government under the provisions of Revised Code of Washington (RCW) 35A et al. This form is commonly referred to as an “optional code city” that essentially enjoys all the rights and privileges granted to larger cities or charter cities. Legislative authority is vested in a seven member City Council. Council members are elected by position number to four-year overlapping terms. Three to four council members are up for election every two years. The Council is composed of a president and vice-president who are elected by the Council for a one year term each. The Mayor serves as the Chief Executive Officer and is elected to a four-year term by general election. The Mayor appoints the City Administrator, with confirmation by the Council. The City Administrator oversees all City operations and implements policy direction.

The City’s major operations include police protection, fire control/prevention and emergency medical response, parks and recreation, planning and zoning, street improvement and general administrative services. In addition, the City owns and operates a surface water management system.

As required by GAAP, the City’s financial statements present the City of Mukilteo, the primary government. There are no component units included in these statements.

Joint Ventures

The City has entered into a single joint venture with Snohomish County and other local governments in the Snohomish County Emergency Radio System. See Note No. 16 *Joint Ventures* for additional information.

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 all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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. Interest on general long-term debt is not allocated to the various functions. 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.



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 statements. The fiduciary fund financial statements have no measurement focus. 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 considers revenues to be available if they are earned by December 31 (all eligibility requirements have been met) and the revenue is expected to be collected within 60 days after year-end. Expenditures are recorded when the related debt is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed. The order of use of unrestricted resources (committed, assigned, or unassigned) is subject to determination based on the nature and circumstances of the specific needs at the time and the funds involved.

The City uses an agency fund to account for assets held for the benefit of others. Agency funds have no measurement focus.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes administration, finance, police, fire, planning and community development, parks maintenance, and public works and engineering management.

The **Recreation and Cultural Services Center Fund** receives a transfer from the General Fund as well as Community Center activities fees and rental revenues, and funds the expenditures for the operations and maintenance of the Community Center building and programs.



The **Emergency Medical Services Fund** receives tax revenues from a voter approved tax levy to fund advanced life support (ALS) services.

The **Real Estate Excise Tax I Fund** receives 50% of the revenues the City receives from taxes levied on the sale of real estate. By law, these funds must be used solely on capital projects.

The **Community Center Project Fund** maintains the proceeds from the 2009 sale of \$12,585,000 in long-term general obligation bonds, and the expenditures incurred for construction of the new community center.

The City reports the following proprietary fund:

The **Surface Water Management Fund** accounts for the revenues and expenditures to operate and maintain the surface water management system. The principal operating revenues of the fund are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the City reports the following funds:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The **Drug Enforcement Fund** was created in 2011 and is regulated by the Revised Code of Washington Chapter 69.50 which prescribes procedures relating to the seizure and forfeiture of proceeds from the sale of illegal drugs. This fund may be used for drug enforcement equipment, investigations, education, or similar purposes as defined by state law. A portion of monies forfeited must be remitted to the state or federal agency as applicable.

The **Street Fund** receives a transfer from the General Fund, in addition to 68.14% of the Motor Vehicle Fuel Excise Tax (gas tax) received. These revenues are used for costs related to street maintenance.

The **Arterial Street Fund** receives 31.86% of the Motor Vehicle Fuel Excise Tax (gas tax), and may be used for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets.

The **Hotel/Motel Lodging Tax Fund** receives the 2% hotel/motel tax assessed on hotels/motels within the City. These funds are mandated to be used only for tourism promotion and operations and maintenance of tourism facilities in the City.

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

The **Limited Tax General Obligation Bond Fund** receives revenues from transfers from the Real Estate Excise Tax Funds, and is used to pay principal and interest on the \$12,585,000 in bonds issued in 2009.

Capital project funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by business-type/ proprietary funds).

The **Parks Acquisition and Development Fund** receives revenues from park mitigation fees and grants, and is used to fund the expenditures for park development.

The **Transportation Impact Fee Fund** receives revenues from fees which are authorized under the State Environmental Policy Act (SEPA) and the Growth Management Act (GMA) to help offset the cost of transportation capital facilities brought about by new growth and development. Impact fee revenues collected



are used to design, engineer and construct transportation facilities that are consistent with the capital facilities and transportation elements of the Mukilteo comprehensive plan.

The **Real Estate Excise Tax II Fund** receives 50% of the revenues the City receives from taxes levied on the sale of real estate. Revenues must be used for capital projects.

The **Municipal Facilities Fund** receives funds from transfers from the General Fund, which are used to construct City facilities.

Internal Service Funds are used when a fund provides services for other departments and charges the departments for those services.

The **Equipment Replacement Fund** maintains funds set aside per a detailed equipment replacement schedule for all capital equipment owned by the City. Departments are charged an annual fee for the purpose of replacing capital equipment used by the department.

The **Facilities Maintenance Fund** receives revenues from a transfer from the General Fund, which is used for expenses related to the maintenance of City facilities.

Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) private-purpose trust funds, (b) pension (and other employee benefit) trust funds, (c) investment trust funds, and (d) agency funds. The City reports one fiduciary/agency fund.

The **Treasurer's Suspense Fund** is used to report assets which are held in an agency capacity for others.

D. Budgetary Information

1. Scope of Budget

Annual appropriated budgets are adopted at the fund level for general, special revenue, debt service and capital project funds, on the cash basis of accounting. Budgets for capital project funds are adopted at the level of the individual project and are shown in the financial statements on an annual basis. The financial statements contain 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.

Appropriations lapse at year-end. If unused funds are needed in the following year, they must be re-appropriated in the next year's operating budget. The City does not use encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation.

2. Amending the Budget

The Mayor and City Administrator are authorized to transfer budgeted amounts within any fund. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding public hearings.

3. Excess of Expenditures over Appropriations

There has been no material violations of finance related legal or contractual provisions in any major City fund.



4. Deficit Fund Balances

At December 31, 2011, there were no funds with deficit fund balances.

E. Assets, Liabilities, Fund Balance, Net Assets or Equities

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2011, the City had \$13,813,899 in the Washington State Local Government Investment Pool. This investment is considered to be a cash equivalent as it is available on demand and can be liquidated to meet daily cash flow needs. The interest on this investment is prorated to the various funds.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2011 were approximately \$441,000.

For purposes of the statement of cash flows, the City considers short-term investments (including restricted assets) in the State Treasurer's Investment Pool and any other investment with a maturity of three months or less at acquisition date to be cash equivalents. For additional information see Note No. 3, *Deposits and Investments*.

2. Investments See Deposits and Investments Note No 3.

3. Receivables

Taxes receivable consist of property taxes and related interest and penalties. (See Note 4 *Property Taxes*) Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts earned for which billings have not been prepared.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as interfund loans receivable and payable. (See Note 13 *Interfund Balances and Transfers*).

5. Inventories and prepaid items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Restricted Assets and Liabilities

Certain assets and related liabilities may be subject to externally imposed restrictions and would accordingly be reported as restricted. There were no restricted assets or liabilities for the current reporting year.

7. Capital Assets (See Capital Assets Note No. 5).

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, 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 (\$10,000 for infrastructure) and an estimated useful life in excess of one year. 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 costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful life (Years)</u>
Buildings and improvements	5-100
Storm drainage systems	6 - 75
Street system	15 - 51
Park facilities and streetscape	30
Streetlights and traffic control devices	40
Equipment	3-20
Furniture and fixtures	3-20
Vehicles	3-30
Computers/software	3

8. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation pay, which may be accumulated up to (2) years of allowed vacation, is payable upon resignation, retirement or death. Sick pay is payable upon resignation, retirement or death. Employees with the required length of service may receive cash payment for all accumulated sick leave up to the restricted limits as follows:

<u>Years of Service</u>	<u>% Paid</u>
Less Than 5 Years	33.33%
Between 5 and 10 Years	66.67%
More than 10 Years	100.00%

9. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

10. Long-term Debt

See Long-Term Debt Note No. 8.

11. Deferred Revenues

Includes amounts received but not yet earned.

12. Governmental Fund Balance Classifications

The City has implemented the provisions of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the 2011 reporting year. This Statement requires governmental fund balances to be reported in five classifications – nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balances are those not in a spendable form (such as inventories) or subject to legal/contractual requirements to be maintained intact. Restricted fund balances are subject to limitations imposed by external sources such as creditors, grantors, laws or regulations. Committed fund balances are designated for specific purposes through formal action of the government's highest level of decision making authority. Assigned fund balances are constrained by the government's intent to be used for



CITY OF MUKILTEO

Notes to the Financial Statements

specific purposes, but are neither restricted nor committed. Unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

The details of fund balance classifications for the general fund as reported on the Balance Sheet – Governmental Funds are as follows:

Nonspendable - Prepayment		1,000
Restricted:		
Health Self-Insured Administration Reserves, as required by Washington State Administrative Code		50,996
Committed:		
Set aside for the payment of LEOFF Plan 1 insurance premiums and medical expenses	134,164	
Set aside to fund legal and other costs to oppose expansion of the Paine Field Airport	157,217	291,381
Assigned:		
General Fund Operating Reserve	2,288,671	
Contingency Fund Reserve	1,000,000	
Unemployment Compensation Reserve	40,488	
Technology Replacement Reserve	141,118	3,470,277
Unassigned		2,608,258
Total General Fund Balance		6,421,912

The details of fund balance classifications for the major special revenue funds as reported on the Balance Sheet – Governmental Funds are as follows:

Recreation and Cultural Services Fund	
Assigned for use in recreational and cultural activities	14,998
Emergency Medical Services Fund	
Voter approved tax levy revenues restricted for emergency medical services	445,246
Real Estate Excise Tax 1 Fund	
Real estate excise taxes restricted by law for capital projects	4,711,180
Community Center Project Fund	
Proceeds of general obligation bonds restricted for the purpose of constructing a new community center	495,658



CITY OF MUKILTEO

Notes to the Financial Statements

The details of fund balance classifications for the other governmental funds as reported on the Balance Sheet – Governmental Funds are as follows:

	Restricted	Assigned
Seizure and forfeiture of proceeds from the sale of illegal drugs, use is restricted by state law	30,595	
Motor vehicle fuel excise tax revenues restricted for construction, improvement or repair of streets	168,437	
Hotel/motel lodging taxes restricted for the promotion of tourism	5,269	
Restricted bond proceeds	7,163	
Park mitigation fees restricted for park development	57,533	
Transportation impact fees restricted for transportation facilities	131,883	
Real estate excise taxes restricted by law for capital projects	317,941	
Assigned for maintenance of streets		29,662
Assigned for promotion of tourism		5,400
Assigned for construction of city facilities		170
	718,822	35,232

Fund balances classified as committed can only be used for specific purposes as prescribed by the City Council via a resolution. Modifications to committed funds must also be made by resolution. Assigned fund balances are also so designated by action of the City Council.



F. Other

1. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net assets/balance sheet and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

The City maintains the following reserves and minimum fund balance policies:

Contingency Fund Reserve: \$1,000,000 to provide a financial cushion to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods or to provide funds in the event of major unplanned expenditures the City could face as a result of landslides, earthquake or other natural disaster.

General Fund Operating Reserves: An amount equal to two months of general fund budgeted operating expenditures, to provide for adequate cash flow, budget contingencies, and insurance reserves. At December 31, 2011 the balance of this reserve is \$2,288,671.

Hotel/Motel Lodging Tax Reserves: The City maintains a Hotel/Motel Lodging Tax Reserve in an amount equal to one prior complete year's revenues in ending fund balance. The fund balance of the Hotel/Motel Lodging Tax Fund is reported as restricted - allowable expenditures are prescribed by state law.

Technology Replacement Reserves: For the replacement of entity-wide computer hardware, software, or telephone equipment identified in the City's Technology Replacement listing. The required level of reserve is equivalent to each year's scheduled replacement costs. At December 31, 2011, the balance of this reserve is \$141,117.

Health Self-Insured Administration Reserves: To provide Washington State mandated reserves for the City's self-insured dental and vision benefits for City employees, equivalent to 16 weeks of budgeted expenditures. At December 31, 2011, the balance of this reserve is \$50,996.

Equipment and Vehicle Replacement Reserves: To fund the replacement of vehicles and equipment identified on the City's equipment replacement listing. The required level of reserve equals each year's scheduled replacement costs. Contributions are made through assessments to the using funds and are maintained on a per asset basis. At December 31, 2011, ending net assets in the Equipment Replacement Fund is \$3,007,653.

Surface Water Management Fund Reserves: The City maintains an operating reserve within the Surface Water Management Fund in an amount equal to no less than 20% of budgeted operating revenues. At December 31, 2011, ending net assets in this fund is \$5,536,308.

**Note 3 – Deposits and Investments****Deposits**

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

Investments

As of December 31, 2011, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Local Government Investment Pool	\$13,813,899	-
Total Fair Value	\$13,813,899	

The Local Government Investment Pool (LGIP) is operated by the Washington State Treasurer and is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. 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 pool is subject to oversight by the Washington State Auditor's Office and also subject to a financial audit by an independent auditor.

All investments in the LGIP are recorded at cost which is equivalent to fair value. The fair value of the City's position in the pool is the same as the value of the pool shares.

Interest Rate Risk

The City manages its exposure to declines in fair values by limiting the weighted average of maturity of its investments portfolio to three years or less. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase. Reserve funds may be invested in securities maturing in more than five (5) years, if the maturity of such investment is made to coincide as nearly as practicable with the expected use of funds.

Credit Risk

As required by state law, all investments of the City's fund are obligations of the U.S. Government, U.S. agency issues, Obligations of the State of Washington, repurchase agreements, prime banker's acceptances, the Washington State Local Government Investment Pool, and time certificates of deposit with authorized Washington State banks. The Washington State Local Government Investment Pool is operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Act of 1940, and is unrated.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All City deposits are insured by the Federal Depository Insurance (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Public Deposit Protection Commission (PDPC) of the State of Washington for amounts over \$250,000.

The PDPC is a statutory authority established under Washington State Law Revised Code of Washington (RCW) chapter 39.58. It constitutes of multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent of each institution's public deposits. Provisions of RCW 39.85, section 60 authorize the PDPC to make pro-rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

**Custodial Credit Risk – Investments**

For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For all of 2011, the City invested only in the Washington State Local Government Investment Pool.

Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits its exposure to concentration risk by investing in U.S. government obligations or U.S. government agency securities.

The maximum to be invested in any one issuer is as follows:

Security Type	Portfolio Max.
U.S. Treasuries	90%
U.S. Agencies	90%
State of WA bonds	20%
Local Govt. Bonds	10%
State Pool (LGIP)	100%

The City currently holds 100% of its investments in the Washington State Local Government Investment Pool (LGIP).

A reconciliation of cash, cash equivalents (including pooled investments) and investments as shown in the government-wide and fund financial statements is as follows:

Financial Statements	Governmental Activities	Business-type Activities	Total Primary Govt.	Fiduciary Funds	Total
Cash and Cash Equivalents	\$14,317,850	\$1,734,548	\$16,052,398	\$30,959	\$16,083,357
	\$14,317,850	\$1,734,548	\$16,052,398	\$30,959	\$16,083,357

**Note 4 – Property Taxes**

As prescribed by GASB Statement No. 34, property taxes are recognized as revenue in the government-wide financial statements when an enforceable legal claim has arisen. Therefore, the City recognizes revenue and a receivable for the entire tax levy in the year it was levied. No allowance for uncollectible accounts is established because delinquent taxes are considered fully collectible. For governmental fund financial statements, the property tax revenues not collected within 30 days of the year ended are deferred.

The county treasurer acts as an agent to collect property taxes in the county for all taxing authorities. Collections are distributed after the end of each month.

Property Tax Calendar	
January 1	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.

The City may levy up to \$3.375 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

Washington State law (RCW 84.55.010) limits the growth of regular property taxes to 6 percent (6%) per year, after adjustments for new construction. If the assessed valuation increases by more than 6 percent (6%) due to revaluation, the levy rate will be decreased.

The Washington State Constitution limits the total regular property taxes to 1 percent (1%) of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed that amount, each is proportionally reduced until the total is at or below the 1 percent (1%) limit.

Special levies approved by the voters are not subject to the limitations listed above.



Note 5 – Capital Assets

Capital asset activity for the year ended December 31, 2011 follows:

Governmental Activities	2011 Beginning Balance	Increases	Decreases	2011 Ending Balance
Capital assets, not being depreciated:				
Land	24,454,988	0	0	24,454,988
Right of way easements	10,580,181	0	0	10,580,181
Art Collections	175,520	0	0	175,520
Construction in Progress	14,219,583	2,656,478	0	16,876,061
Total capital assets, not being depreciated:	49,430,271	2,656,478	0	52,086,750
Capital assets, being depreciated:				
Building	19,951,599	0	0	19,951,599
Other Improvements	7,060,858	624,011	(534,420)	7,150,449
Machinery and Equipment	5,996,633	790,232	(125,877)	6,660,988
Infrastructure	263,711,357	0	0	263,711,357
Total capital assets being depreciated:	296,720,447	1,414,243	(660,297)	297,474,393
Less accumulated depreciation for:				
Buildings	(3,465,750)	(632,985)	0	(4,098,736)
Other Improvements	(1,903,623)	(447,386)	525,612	(1,825,398)
Machinery and Equipment	(3,754,492)	(527,630)	118,966	(4,163,155)
Infrastructure	(149,925,775)	(7,862,677)	0	(157,788,452)
Total accumulated depreciation:	(159,049,640)	(9,470,679)	644,578	(167,875,740)
Total capital assets, being depreciated, net:	137,670,807	(8,056,436)	(15,718)	129,598,653
Governmental activities capital assets, net:	187,101,079	(5,399,957)	(15,718)	181,685,403

Capital assets of the internal service funds are included in the Governmental Activities table above. Detailed activity information for these assets is as follows:

Internal Service Funds Capital Assets	2011 Beginning Balance	Increases	Decreases	2011 Ending Balance
Buildings	3,264	0	0	3,264
Other Improvements	5,000	2,190	0	7,190
Machinery & Equipment	3,885,146	361,132	(104,021)	4,142,257
Less accumulated depreciation for:				
Machinery & Equipment	(2,805,093)	(230,362)	104,021	(2,931,434)
Internal Service Funds Capital Assets, Net:	1,088,318	132,960	0	1,221,277



CITY OF MUKILTEO

Notes to the Financial Statements

Business-type Activities	2011 Beginning Balance	Increases	Decreases	2011 Ending Balance
Capital assets, not being depreciated:				
Land	150,000	0	0	150,000
Construction in Progress	241,284	92,229	0	333,513
Total capital assets, not being depreciated:	391,284	92,229	0	483,513
Capital assets, being depreciated:				
Other Improvements	2,577,206	8,601	0	2,585,807
Other Improvements - Contractor Contributions	2,805,470	0	0	2,805,470
Machinery and Equipment	213,468	0	0	213,468
Total capital assets being depreciated:	5,596,144	8,601	0	5,604,745
Less accumulated depreciation for:				
Other Improvements	(1,485,902)	(228,510)	0	(1,714,411)
Other Improvements Contractor Contributions	(537,347)	(37,687)	0	(575,034)
Machinery and Equipment	(49,695)	(18,497)	0	(68,192)
Total accumulated depreciation:	(2,072,944)	(284,694)	0	(2,357,638)
Total capital assets, being depreciated, net:	3,523,200	(276,093)	0	3,247,107
Business activities capital assets, net:	3,914,484	(183,864)	0	3,730,620

Depreciation Expense by Function

GOVERNMENTAL ACTIVITIES	
General government	432,432
Public safety	418,963
Economic environment	52,309
Culture and recreation	504,840
Transportation	8,062,135
Total depreciation expense - Governmental activities	9,470,679
BUSINESS-TYPE ACTIVITIES	
Surface Water	284,694
Total depreciation expense - Business-type activities	284,694

Change in Accounting Principle

For the year ended December 31, 2011, the City implemented the provisions of GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets. Right of way easements with a value of \$10,580,181 were recorded, resulting in an increase in the beginning balance of capital assets, not being depreciated, for governmental activities.



CITY OF MUKILTEO

Notes to the Financial Statements

Construction Commitments

The City has active construction projects as of December 31, 2011. At year end, the City's commitments under construction contracts are as follows:

	Spent to Date	Remaining Commitment
Governmental Activities		
Harbour Reach Extension Phase I	\$ 1,611,523	\$ 100,000
Big Gulch Trail	87,532	435,000
Japanese Gulch Trail	10,929	10,000
88th Street Left Turn Lane	364,582	15,000
Interpretive Signage	1,177	10,745
61st Place Retaining Wall Failure	30,241	150,000
Olympic View Safety Improvements	52	15,000
Business-type Activities		
Japanese Gulch Fish Ladder	192,702	170,000
61st Street Culvert Replacement	35,677	210,000
Smuggler's Gulch Stormwater Project	341	125,000
	<u>\$ 2,334,756</u>	<u>\$ 1,240,745</u>

Note 6 – Retirement and Pension Plans

Substantially all City of Mukilteo 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 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 Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges 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 two percent 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 percent 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 three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. 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 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members 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 two percent 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 percent 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 three percent annually.

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

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is one 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 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

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 contributions and 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 two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one percent of the AFC per year of service.

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

PERS 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.



CITY OF MUKILTEO

Notes to the Financial Statements

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.

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 Non-vested	51,005
Total	262,285

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. 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 Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. 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 33 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, are as follows:

	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.

Both the City of Mukilteo and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:



CITY OF MUKILTEO

Notes to the Financial Statements

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2011	\$6,418	\$157,861	\$44,076
2010	\$5,343	\$137,768	\$33,858
2009	\$6,850	\$179,408	\$37,671

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.

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

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

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent 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 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability 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.

LEOFF 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 two percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months). Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit 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. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

GASB Statement 27 does not require the number of participating employers and members to be presented in the notes to the financial statements. The information has been provided here so it can be included in the notes if desired.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is two percent 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 three percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are 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 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least ten percent of FAS and two percent per year of service beyond five years. The first ten percent of the FAS is not subject to federal income tax.

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

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 receive 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 request 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 Non-vested	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. 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, are 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%.

** The employer rate for ports and universities is 8.62%.

Both the City of Mukilteo and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2011	\$0	\$250,820
2010	\$0	\$246,416
2009	\$0	\$237,162



Note 7 – Risk Management

The City is exposed to various loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. The city of Mukilteo is a member of the Washington Cities Insurance Authority (WCIA).

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

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

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

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.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all state guidelines.

Each member contributes an appropriate amount each year to pay premiums and claims. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The basis for estimating the liabilities for unpaid claims includes the effects of specific, incremental claim adjustment expenses, salvage, subrogation, and other allocated adjustment expenses. There have been no claims in excess of the City's insurance coverage during the last four years.



Note 8 – Long-term Debt

The City may issue two types of general obligation bonds, Limited Tax General Obligation bonds (LTGO) and Unlimited Tax General Obligation bonds (UTGO) to provide funding for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. During 2009 the City authorized the issuance of a Limited Tax General Obligation (LTGO) bond in the amount of \$12,585,000 for construction of a new community center. This debt was issued with a premium of \$348,159 and issuance costs of \$129,398 (issuance costs include Underwriter's discount, Bond counsel fees, rating agency fees, registration costs, printing expenses and any miscellaneous costs deemed necessary). This debt has been issued for the general government and will be repaid with Real Estate Excise Taxes (REET) revenues.

At December 31, 2011, the city had the following general obligation bonds outstanding:

Purpose	Original Amount Issued	Date of Original Issue	Date of Final Maturity	Interest Rates	Amount of Installments	Balance 12/31/11
General Government						
2009 LTGO Bonds -						
Community Center	\$ 12,585,000	09/10/09	12/01/29	3.54	\$84,301 - \$909,313	\$ 11,660,000
	<u>\$ 12,585,000</u>					<u>\$ 11,660,000</u>

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total Requirements
2012	480,000	425,213	905,213
2013	495,000	410,813	905,813
2014	510,000	395,962	905,962
2015	525,000	382,613	907,613
2016	545,000	363,962	908,962
2017-2021	3,000,000	1,537,776	4,537,776
2022-2026	3,590,000	943,800	4,533,800
2027-2029	2,515,000	203,800	2,718,800
Total	\$ 11,660,000	\$ 4,663,938	\$ 16,323,938

Revenue Bonds

The City may also issue revenue bonds to provide financing for the capital programs for the City's business activities. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. No revenue bonds are outstanding.

Rebatable Arbitrage

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when it is due and payable. The City had no arbitrage excess earnings liability in 2011.



Note 9 – Leases

Operating Leases

During 2011 the city entered into a non-cancelable operating lease for a police department vehicle. The lease payments totaled \$5,132 for this year. The final lease payment will be made in 2015. The future minimum lease payments are as follows:

Year Ending December 31,	Amount
2012	5,455
2013	5,455
2014	5,455
2015	5,455
Total	21,819

Note 10 – Changes in Long-Term Liabilities

For the year ended December 31, 2011, changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
Series 2009 Bonds, \$12,585,000 issued	\$12,130,000	\$0	(\$470,000)	\$11,660,000	480,000
Unamortized bond premium	324,948	0	(17,408)	307,540	17,408
Total bonds payable:	12,454,948	0	(487,408)	11,967,540	497,408
Other post-employment benefits	85,753	56,302	(32,770)	109,285	0
Compensated absences	853,371	17,027	0	870,398	573,953
Governmental activity long-term liabilities:	\$13,394,072	\$73,329	(\$520,178)	\$12,947,223	\$1,071,361
Business-Type Activities					
Compensated absences	\$18,082	\$11,576	\$0	\$29,658	\$22,575
Business-type activity long-term liabilities:	\$18,082	\$11,576	\$0	\$29,658	\$22,575

The costs of other post-employment benefits are charged to the General Fund. The costs of compensated absences for governmental activities are charged in the same manner as employee salaries, and are expenditures of the General, Street, Recreation and Cultural Services Center, and Emergency Medical Services funds.

**Note 11 – Contingencies and Litigation**

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 are adequate to pay all known or pending claims.

The City participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

Note 12 – Restricted Net Assets

Restrictions on net assets are imposed in 3 ways: (1) by external sources, (2) by law via the constitution and (3) by law through enabling legislation. Enabling legislation allows the City to assess, levy or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The government-wide statement of net assets reports total restricted net assets of \$5,954,141. Details regarding the nature of restricted net assets are as follows:

Real estate excise taxes, restricted for capital improvements		5,029,121
Emergency medical services tax levy funds, to provide advanced life support services		445,246
Motor vehicle fuel tax funds, restricted for maintenance and construction of streets	198,098	329,981
Transportation impact fees restricted for transportation capital improvements	131,883	
Health self-insured administration reserves, as required by Washington State Administrative Code	50,996	149,794
Seized and forfeited proceeds of illegal drug sales, expenditures and disbursements are prescribed by state law	30,595	
Hotel/motel lodging tax funds, restricted for the promotion of tourism	10,669	
Park mitigation fees restricted for park improvements	57,533	
Total Restricted Net Assets		5,954,141

**Note 13 – Interfund Balances and Transfers**

Transactions that would be treated as revenues or expenditures if they involved organizations external to the governmental unit are accounted for as revenues or expenditures in the funds involved. Transactions which constitute reimbursements of a fund for expenditures initially made from that fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of the expenditure in the fund that is reimbursed. Transfers between funds are included in the results of both governmental and proprietary funds (as other sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds).

Direct overhead costs charged by the General Fund to the Surface Water Management Fund are not eliminated from the Statement of Activities.

Transfers to support the operations of other funds are recorded as "Transfers in" or "Transfers out" from the appropriate funds and are classified with "Other Financing Sources or Uses".

Loans between funds are classified as interfund loans receivable from and payable to other funds on the governmental funds balance sheet. As of December 31, 2011, there was an interfund loan from the Equipment Replacement Fund to the Hotel/Motel Lodging Tax Fund for the purchase of a visitor's center building; and also one from the Real Estate Excise Tax I Fund to the Parks Acquisition and Development Fund for cash flow purposes in anticipation of pending grant reimbursements. Details of interfund loan activity are presented in the table below.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services in return. The City uses transfers to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund activity for 2011 year is as follows:

Transfers In		Transfers Out	
Street Fund	426,100	General Fund	1,095,800
Recreation & Cultural Services Fund	242,300	Real Estate Excise Tax I Fund	839,300
Hotel/Motel Lodging Tax Fund	5,400	Real Estate Excise Tax II Fund	70,050
LTGO Bond Fund	909,350	Total Transfers Out	<u>2,005,150</u>
Facilities Maintenance Fund	422,000		
Total Transfers In	<u>2,005,150</u>		

Interfund Loans Receivable		Interfund Loans Payable	
Equipment Replacement Reserve Fund		Hotel/Motel Lodging Tax Fund	
Interfund Loan Receivable - Beg. Bal.	232,569	Interfund Loan Payable - Beg. Bal.	232,569
Principal Repayment	(45,000)	Principal Repayment	(45,000)
Interfund Loan Receivable - End. Bal.	<u>187,569</u>	Interfund Loan Payable - End. Bal.	<u>187,569</u>
Real Estate Excise Tax I Fund		Park Acquisition and Development Fund	
Interfund Loan Receivable - Beg. Bal.	125,679	Interfund Loan Payable - Beg. Bal.	125,679
Principal Disbursement	181,000	Principal Disbursement	181,000
Principal Repayment	(199,846)	Principal Repayment	(199,846)
Interfund Loan Receivable - End. Bal.	<u>106,833</u>	Interfund Loan Payable - End. Bal.	<u>106,833</u>
Total Interfund Loans Receivable	<u>294,402</u>	Total Interfund Loans Payable	<u>294,402</u>



Note 14 – Receivables and Payable Balances

Receivables at December 31, 2011, are as follows:

Activities	Accounts Receivable	Taxes Receivable	Other	Total
Governmental Activities				
General Fund	\$434,228	\$772,936	\$0	\$1,207,164
Recreation & Cultural Services Fund	20	0	0	20
Emergency Medical Services Fund	127,620	8,405	0	136,026
Real Estate Excise Tax I Fund	0	21,654	106,832	128,487
Other Governmental Funds	165,537	63,202	0	228,739
Total Governmental	\$727,405	\$866,198	\$106,832	\$1,700,435
Business-type Activities				
Surface Water Fund	\$135,360	\$0	\$0	\$135,360
Internal Service Funds	0	0	187,569	187,569
Total Business-type	\$135,360	\$0	\$187,569	\$322,929

Payables at December 31, 2011, are as follows:

Activities	Accounts Payable	Wages Payable	Other	Total
Governmental				
General Fund	\$259,249	\$402,798	\$138,981	\$801,028
Recreation & Cultural Services Fund	23,241	16,394	155,520	195,154
Emergency Medical Services Fund	21,237	60,735	0	81,972
Real Estate Excise Tax I Fund	77	0	0	77
Community Center Project	26,013	0	0	26,013
Other Governmental Funds	26,198	17,762	312,802	356,762
Total Governmental	\$356,014	\$497,689	\$607,302	\$1,461,005
Business-type Activities				
Surface Water Fund	\$8,247	\$48,890	\$7,083	\$64,219
Internal Service Funds	16,566	1,549	0	18,115
Total Business-type	\$24,812	\$50,439	\$7,083	\$82,334

**Note 15 – Segment Information for Enterprise Funds**

The City has one enterprise fund, the Surface Water Management Fund. This fund currently has no bonded debt associated with it. All required segment information is disclosed on the face of the proprietary fund financial statements.

Note 16 – Joint Ventures

The City entered into a single joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System (SERS). The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. Control of this joint venture is shared equitably by the controlling organizations. This entity is reported as a governmental joint venture. The City of Mukilteo's share of the assets and equity as of December 31, 2011 was \$279,259.

The Snohomish County Emergency Radio System is considered a separate reporting entity. Each participant's share of authority is defined by the terms of the enabling charter. Control is represented by the City Council and Board of County Commissioners and is divided between the County and the participating cities. Separate financial statements can be obtained from Snohomish County.

Note 17 – Other Postemployment Benefit (OPEB) PlansPlan Description

In addition to pension benefits, per state law, the City provides a defined benefit post retirement health care benefits to LEOFF I employees who are 50 years of age with twenty years of service or on disability leave or retirement. This system is a closed, single-employer, defined benefit pension system. The City pays 100% of the cost of medical insurance. Premera Blue Cross is the underwriter. After age 65, benefits are coordinated with Medicare. Any amount not paid by the underwriter is reimbursed by the City. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Funding Policy

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.

Annual OPEB Cost and Net OPEB Obligation

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 twenty years as of June 30, 2009. The following table 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. For 2011, the City has fully funded the OPEB obligation.

Annual required contribution	\$60,428
Interest on net OPEB obligation	3,859
Adjustment to annual required contribution	(7,985)
Annual OPEB cost (expense)	56,302
Contributions made	(32,770)
Change in NPO	23,532
Net OPEB Obligation - Beginning of Year	85,753
Net OPEB Obligation - End of Year	\$109,285



CITY OF MUKILTEO

Notes to the Financial Statements

The City's OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$54,688	47.9%	\$26,192
12/31/2010	\$52,002	54.2%	\$28,177
12/31/2011	\$56,302	58.2%	\$32,770

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for the 2011 benefits was \$648,973 and the actuarial value of the assets was \$0 resulting in an UAAL of \$648,973. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Significant actuarial assumptions used in the valuation include:

- 5.0 percent investment return, compounded annually
- The medical inflation trend starts at 9.0% in 2007 and decreases to 5.0% in 2015. It remains at 5.0% after 2015
- The expected long-term care inflation trend is 4.5% for all years.



Note 18 – Other Disclosures

A. Prior Period Adjustment - Change in Accounting Principle

For the year ended December 31, 2011, the City implemented the provisions of GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets. Right of way easements with a value of \$10,580,181 were recorded as an adjustment to beginning net assets. These easements were dedicated or donated to the City and are recorded at estimated fair value.

B. Fund Reporting Changes

The LEOFF I Reserve Fund, Paine Field Emergency Reserve Fund, City Reserve Fund, and Technology Replacement Fund were reclassified from special revenue funds to the General Fund. Also, the Health Insurance Administration Fund and Unemployment Compensation Fund were reclassified from internal service funds to the General Fund. This resulted in an increase of \$1,397,164 in the beginning fund balance of the General Fund, a decrease in the beginning fund balances of the other governmental funds of \$1,306,679, and a decrease of \$90,484 in the beginning fund balance of internal service funds on the Statement of Net Assets – Proprietary Funds. On the Statement of Cash Flows – Proprietary Funds, this reclassification resulted in a \$90,484 decrease in cash and cash equivalents at January 1st.

The Municipal Facilities Fund was reclassified from a special revenue fund to a capital projects fund. This resulted in a decrease in the total beginning fund balances for special revenue funds of \$170, and a corresponding increase in the total beginning fund balances of capital projects funds.

C. Commitments

Construction commitments are discussed in Note No. 5 *Capital Assets*.

D. Budgetary Perspective Differences

As described in item B above, the LEOFF I Reserve Fund, Paine Field Emergency Fund, City Reserve Fund, Technology Replacement Fund, Health Insurance Administration Fund, and Unemployment Compensation Fund were reported as part of the general fund for 2011. These funds were budgeted individually in the 2011 budget. Individual Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual are presented as supplemental information for the general fund (as adopted) and the funds reported as combined with the general fund. In addition, a reconciliation of these individually adopted budgets to the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the general fund as reported is also presented in supplemental information. Transfers within the combined funds were eliminated for the Statement of Revenues, Expenditures, and Changes in Fund Balances for the general fund, but are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the general fund in order to reflect the budget as adopted.



SUPPLEMENTAL INFORMATION



Schedule of Employer Contributions without Advanced Funding

<u>FY Ended</u> <u>Dec. 31</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Annual</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Current Year</u> <u>OPEB</u> <u>Obligation</u>	<u>Cumulative</u> <u>OPEB</u> <u>Obligation</u>
2008	\$ 59,568	\$ 26,136	43.9%	\$ 33,432	\$ 33,432
2009	\$ 54,688	\$ 26,192	47.9%	\$ 28,496	\$ 61,928
2010	\$ 52,002	\$ 28,177	54.2%	\$ 23,825	\$ 85,753
2011	\$ 56,302	\$ 32,770	58.2%	\$ 23,532	\$ 109,285

Schedule of Funding Progress of Other Post Employment Benefits

<u>FY Ended</u> <u>Dec. 31</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>[UAAL]</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as</u> <u>Percent</u> <u>of Covered</u> <u>Payroll</u>
2008	1/1/2008	\$ -	\$ 639,736	\$ 639,736	0%	\$ -	0%
2009	1/1/2009	\$ -	\$ 604,602	\$ 604,602	0%	\$ -	0%
2010	1/1/2010	\$ -	\$ 590,466	\$ 590,466	0%	\$ -	0%
2011	1/1/2011	\$ -	\$ 648,973	\$ 648,973	0%	\$ -	0%



**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Recreation and Cultural Services Fund
For the Fiscal Year ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$400	\$400	\$275	(\$125)
Charges for services	142,000	144,000	127,649	(16,351)
Miscellaneous	166,400	166,400	149,273	(17,127)
TOTAL REVENUES	308,800	310,800	277,197	(33,603)
EXPENDITURES				
Current				
Culture and recreation	590,680	597,980	560,299	(37,681)
TOTAL EXPENDITURES	590,680	597,980	560,299	(37,681)
Excess of revenues over expenditures	(281,880)	(287,180)	(283,102)	4,078
OTHER FINANCING SOURCES (USES)				
Transfers in	235,000	242,300	242,300	0
TOTAL OTHER FINANCING SOURCES (USES)	235,000	242,300	242,300	0
Net change in fund balances	(46,880)	(44,880)	(40,802)	4,078
Fund Balance - Beginning	48,310	48,310	55,800	7,490
FUND BALANCE - ENDING	\$1,430	\$3,430	\$14,998	\$11,568



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Emergency Medical Services Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$1,833,000	\$1,833,000	\$1,749,615	(\$83,385)
Charges for Services	191,000	191,000	255,858	64,858
Miscellaneous	1,000	1,000	8,382	7,382
TOTAL REVENUES	2,025,000	2,025,000	2,013,855	(11,145)
EXPENDITURES				
Current				
Public Safety	1,919,450	1,937,450	1,931,936	(5,514)
Capital Outlay	37,400	37,400	9,986	(27,414)
TOTAL EXPENDITURES	1,956,850	1,974,850	1,941,923	(32,927)
Excess of revenues over expenditures	68,150	50,150	71,933	21,783
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0
Net change in fund balances	68,150	50,150	71,933	21,783
Fund balances - beginning	189,180	213,500	373,313	159,813
FUND BALANCES - ENDING	\$257,330	\$263,650	\$445,246	\$181,596



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Real Estate Excise Tax I Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$300,000	\$300,000	\$400,605	\$100,605
Intergovernmental	0	59,500	0	(59,500)
Miscellaneous	33,100	33,100	9,779	(23,321)
TOTAL REVENUES	333,100	392,600	410,384	17,784
EXPENDITURES				
Current				
Physical environment	2,100	2,100	0	(2,100)
Capital outlay	38,100	189,100	96,887	(92,213)
TOTAL EXPENDITURES	40,200	191,200	96,887	(94,313)
Excess of revenues over expenditures	292,900	201,400	313,497	112,097
OTHER FINANCING SOURCES (USES):				
Transfers out	(839,300)	(839,300)	(839,300)	0
TOTAL OTHER FINANCING SOURCES (USES)	(839,300)	(839,300)	(839,300)	0
Net change in fund balances	(546,400)	(637,900)	(525,803)	112,097
Fund balances - beginning	5,314,830	5,314,830	5,236,983	(77,847)
FUND BALANCES - ENDING	\$4,768,430	\$4,676,930	\$4,711,180	\$34,250



**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Community Center Project Fund
For the Fiscal Year ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$500	\$500	\$2,169	\$1,669
TOTAL REVENUES	500	500	2,169	1,669
EXPENDITURES				
Capital Outlay	3,182,280	3,182,280	2,097,040	(1,085,240)
TOTAL EXPENDITURES	3,182,280	3,182,280	2,097,040	(1,085,240)
Excess of revenues over expenditures	(3,181,780)	(3,181,780)	(2,094,871)	1,086,909
OTHER FINANCING SOURCES (USES):				
Transfers out	(172,430)	(172,430)	0	172,430
TOTAL OTHER FINANCING SOURCES (USES)	(172,430)	(172,430)	0	172,430
Net change in fund balances	(3,354,210)	(3,354,210)	(2,094,871)	1,259,339
Fund balances - beginning	3,354,210	3,354,210	2,590,529	(763,681)
FUND BALANCES - ENDING	\$0	\$0	\$495,658	\$495,658



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Drug Enforcement Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$0	\$56,000	\$58,426	\$2,426
TOTAL REVENUES	0	56,000	58,426	2,426
EXPENDITURES				
Current				
Public Safety	0	30,200	25,094	(5,106)
Capital Outlay	0	0	2,738	2,738
TOTAL EXPENDITURES	0	30,200	27,832	(2,368)
Excess of revenues over expenditures	0	25,800	30,595	4,795
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0
Net change in fund balances	0	25,800	30,595	4,795
Fund balances - beginning	0	0	0	0
FUND BALANCES - ENDING	\$0	\$25,800	\$30,595	\$4,795



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Street Fund

For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$300,000	\$300,000	\$286,749	(\$13,251)
Miscellaneous	200	200	65	(135)
TOTAL REVENUES	300,200	300,200	286,813	(13,387)
EXPENDITURES				
Current				
Physical environment	0	86,500	78,750	(7,750)
Transportation	772,500	715,900	711,502	(4,398)
TOTAL EXPENDITURES	772,500	802,400	790,252	(12,148)
Excess of revenues over expenditures	(472,300)	(502,200)	(503,439)	(1,239)
OTHER FINANCING SOURCES (USES):				
Transfers in	343,600	426,100	426,100	0
TOTAL OTHER FINANCING SOURCES (USES)	343,600	426,100	426,100	0
Net change in fund balances	(128,700)	(76,100)	(77,339)	(1,239)
Fund balances - beginning	149,900	149,900	107,000	(42,900)
FUND BALANCES - ENDING	\$21,200	\$73,800	\$29,661	(\$44,139)



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Arterial Street Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$399,700	\$399,700	\$392,957	(\$6,743)
Miscellaneous	200	200	298	98
TOTAL REVENUES	399,900	399,900	393,254	(6,646)
EXPENDITURES				
Current				
Interest	0	0	3	3
Capital Outlay	545,000	545,000	391,110	(153,890)
TOTAL EXPENDITURES	545,000	545,000	391,113	(153,887)
Excess of revenues over expenditures	(145,100)	(145,100)	2,141	147,241
Net change in fund balances	(145,100)	(145,100)	2,141	147,241
Fund Balance - Beginning	160,470	160,470	166,296	5,826
FUND BALANCE - ENDING	\$15,370	\$15,370	\$168,437	\$153,067



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Hotel/Motel Lodging Tax Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$130,000	\$130,000	\$167,927	37,927
Miscellaneous	450	450	436	(14)
TOTAL REVENUES	130,450	130,450	168,362	37,912
EXPENDITURES				
Current				
Economic environment	\$135,080	\$145,680	\$105,177	(\$40,503)
Interest	0	3,100	376	(2,724)
TOTAL EXPENDITURES	135,080	148,780	105,553	(43,227)
Excess of revenues over expenditures	(4,630)	(18,330)	62,810	81,140
OTHER FINANCING SOURCES (USES)				
Transfers In	\$0	\$0	\$5,400	\$5,400
TOTAL OTHER FINANCING SOURCES (USES)	0	0	5,400	5,400
Net change in fund balances	(4,630)	(18,330)	68,210	86,540
Fund Balance - Beginning	135,440	135,440	(57,540)	(192,980)
FUND BALANCE - ENDING	\$130,810	\$117,110	\$10,670	(\$106,440)



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual LTGO Bond Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	0	0	23	23
TOTAL REVENUES	0	0	23	23
EXPENDITURES				
Bond Principal	470,000	470,000	470,000	0
Bond Interest	439,350	439,750	439,613	(138)
TOTAL EXPENDITURES	909,350	909,750	909,613	(138)
Excess of revenues over expenditures	(909,350)	(909,750)	(909,589)	161
OTHER FINANCING SOURCES (USES):				
Transfers in	1,081,780	1,081,780	909,350	(172,430)
TOTAL OTHER FINANCING SOURCES (USES)	1,081,780	1,081,780	909,350	(172,430)
Net Change in Fund Balances	172,430	172,030	(239)	(172,269)
Fund balances - beginning	7,370	7,370	7,403	33
FUND BALANCES - ENDING	\$179,800	\$179,400	\$7,164	(\$172,236)



**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Park Acquisition and Development Fund
For the Fiscal Year ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$87,150	\$262,150	\$418,009	\$155,859
Charges for services	35,000	35,000	29,256	(5,744)
Miscellaneous	1,100	1,100	125	(975)
TOTAL REVENUES	123,250	298,250	447,390	149,140
EXPENDITURES				
Current				
Interest	0	0	154	154
Capital outlay	256,300	431,300	375,104	(56,196)
TOTAL EXPENDITURES	256,300	431,300	375,258	(56,042)
Excess of revenues over expenditures	(133,050)	(133,050)	72,132	205,182
Net change in fund balances	(133,050)	(133,050)	72,132	205,182
Fund balances - beginning	134,900	134,900	(14,598)	(149,498)
FUND BALANCES - ENDING	\$1,850	\$1,850	\$57,534	\$55,684



**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Transportation Impact Fees Fund
For the Fiscal Year ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$25,000	\$25,000	\$39,617	\$14,617
Miscellaneous	340	340	220	(120)
TOTAL REVENUES	<u>25,340</u>	<u>25,340</u>	<u>39,837</u>	<u>14,497</u>
EXPENDITURES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over expenditures	25,340	25,340	39,837	14,497
Net change in fund balances	25,340	25,340	39,837	14,497
Fund Balance - Beginning	48,860	48,860	92,046	43,186
FUND BALANCE - ENDING	<u>\$74,200</u>	<u>\$74,200</u>	<u>\$131,883</u>	<u>\$57,683</u>



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Real Estate Excise Tax II Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$300,000	\$300,000	\$400,605	\$100,605
Intergovernmental revenues	0	0	0	0
Miscellaneous	7,050	7,050	8,025	975
TOTAL REVENUES	307,050	307,050	408,630	101,580
EXPENDITURES				
Current				
Capital outlay	518,000	518,000	408,053	(109,947)
TOTAL EXPENDITURES	518,000	518,000	408,053	(109,947)
Excess of revenues over expenditures	(210,950)	(210,950)	577	211,527
OTHER FINANCING SOURCES (USES):				
Transfers out	(70,050)	(70,050)	(70,050)	0
TOTAL OTHER FINANCING SOURCES (USES)	(70,050)	(70,050)	(70,050)	0
Net change in fund balances	(281,000)	(281,000)	(69,473)	211,527
Fund balances - beginning	408,640	408,640	387,414	(21,226)
FUND BALANCES - ENDING	\$127,640	\$127,640	\$317,941	\$190,301



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Municipal Facilities Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$0	\$0	\$0	\$0
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Current:				
Capital Outlays	\$0	\$0	\$0	\$0
TOTAL EXPENDITURES	0	0	0	0
Net change in fund balances	0	0	0	0
Fund Balance - Beginning	60	60	170	110
FUND BALANCE - ENDING	\$60	\$60	\$170	\$110



Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes or resources dedicated for specific purposes.

Drug Enforcement Fund

Created in 2011 and is regulated by the Revised Code of Washington Chapter 69.50 which prescribes procedures relating to the seizure and forfeiture of proceeds from the sale of illegal drugs.

Street Fund

In addition to a transfer from the General Fund, this fund receives 68.14% of the Motor Vehicle Fuel Excise Tax (gas tax) received. These revenues are used for costs related to street maintenance.

Arterial Street Fund

This fund receives 31.86% of the Motor Vehicle Fuel Excise Tax (gas tax), and may be used for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets.

Hotel/Motel Lodging Tax Fund

This fund receives the 2% hotel/motel tax assessed on hotels/motels within the City. These funds are mandated to be used only for tourism promotion and operations and maintenance of tourism facilities in the City.

Debt Service Funds

Limited Tax General Obligation (LTGO) Bond Fund

This fund receives transfers from Real Estate Excise Tax Funds, which are used to pay principal and interest on bonds issued in 2009 to construct a new Community Center.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City uses the Capital Project funds to ensure legal compliance with and financial management for various restricted revenues.

Park Acquisition & Development Fund

This fund receives revenues from park mitigation fees and grants, which are used to fund expenditures for park development.

Transportation Impact Fee Fund

Transportation Impact fees are authorized under the State Environmental Policy Act (SEPA) and the Growth Management Act (GMA) to help offset the cost of transportation capital facilities brought about by new growth and development. Impact fee revenues collected are used to design, engineer and construct transportation facilities that are consistent with the capital facilities and transportation elements of the Mukilteo comprehensive plan.

Real Estate Excise Tax II Fund

This fund receives 50% of the revenues the City receives from taxes levied on the sale of real estate. These funds must be used for street and park projects (with the exclusion of the acquisition of land.)

Municipal Facilities Fund

This fund receives transfers from the General Fund, which are used to construct City facilities.



CITY OF MUKILTEO

Supplemental Information

Combining Balance Sheet - Non Major Governmental Funds December 31, 2011

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	Special Revenue Funds					Debt Service Funds	
	Drug Enforcement	Street	Arterial Street	Hotel/Motel Lodging Tax	Total Special Revenue Funds	LTGO Bond Fund	Total Debt Service Funds
ASSETS							
Cash and cash equivalents	\$30,595	\$44,394	\$153,919	\$192,437	\$421,344	\$7,163	\$7,163
Receivables, net							
Taxes Receivable	0	20,357	9,518	11,672	41,547	0	0
Accounts receivable	0	0	5,000	0	5,000	0	0
TOTAL ASSETS	30,595	64,751	168,437	204,109	467,891	7,163	7,163
LIABILITIES AND FUND BALANCES							
Liabilities:							
Wages payable	\$0	\$17,762	\$0	\$0	\$17,762	\$0	\$0
Accounts payable	0	17,328	0	5,870	23,198	0	0
Interfund loans payable	0	0	0	187,569	187,569	0	0
Deposits payable	0	0	0	0	0	0	0
Deferred revenue	0	0	0	0	0	0	0
Other accrued liabilities	0	0	0	0	0	0	0
TOTAL LIABILITIES	0	35,090	0	193,439	228,529	0	0
Fund Balances:							
Nonspendable	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Restricted	30,595		168,437	5,269	204,301	7,163	7,163
Committed	0	0	0	0	0	0	0
Assigned	0	29,662	0	5,400	35,062	0	0
Unassigned	0	0	0	0	0	0	0
TOTAL FUND BALANCES	30,595	29,662	168,437	10,669	239,363	7,163	7,163
TOTAL LIABILITIES AND FUND BALANCES	\$30,595	\$64,752	\$168,437	\$204,109	\$467,892	\$7,163	\$7,163



CITY OF MUKILTEO

Supplemental Information

Combining Balance Sheet - Non Major Governmental Funds December 31, 2011

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	Capital Projects Funds					
	Parks Acquisition and Development	Transportation Impact Fee	Real Estate Excise Tax II	Municipal Facilities	Total Capital Projects Funds	Total Other Governmental Funds
ASSETS						
Cash and cash equivalents	\$6,828	\$131,883	\$296,286	\$18,570	\$453,568	\$882,075
Receivables, net						
Taxes Receivable	0	0	21,654	0	21,654	63,202
Accounts receivable	160,537	0	0	0	160,537	165,537
TOTAL ASSETS	167,366	131,883	317,941	18,570	635,759	1,110,815
LIABILITIES AND FUND BALANCES						
Liabilities:						
Wages payable	\$0	\$0	\$0	\$0	\$0	\$17,762
Accounts payable	3,000	0	0	0	3,000	26,198
Interfund loans payable	106,832	0	0	0	106,832	294,402
Deposits payable	0	0	0	18,400	18,400	18,400
Deferred revenue	0	0	0	0	0	0
Other accrued liabilities	0	0	0	0	0	0
TOTAL LIABILITIES	109,832	0	0	18,400	128,232	356,762
Fund Balances:						
Nonspendable	\$0	\$0	\$0		\$0	\$0
Restricted	57,533	131,883	317,941	0	507,357	718,822
Committed	0	0	0		0	0
Assigned	0	0	0	\$170	170	35,232
Unassigned	0	0	0	0	0	0
TOTAL FUND BALANCES	57,533	131,883	317,941	170	507,527	754,053
TOTAL LIABILITIES AND FUND BALANCES	\$167,366	\$131,883	\$317,941	\$18,570	\$635,759	\$1,110,815



CITY OF MUKILTEO

Supplemental Information

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non Major Governmental Funds For the Year Ended December 31, 2011

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	Special Revenue Funds					Debt Service Funds	
	Drug Enforcement	Street	Arterial Street	Hotel/Motel Lodging Tax	Total Special Revenue Funds	LTGO Bond Fund	Total Debt Service Funds
REVENUES							
Taxes	\$0	\$0	\$0	\$167,927	\$167,927	\$0	\$0
Intergovernmental revenues	0	286,749	392,957	0	679,705	0	0
Charges for services	0	0	0	0	0	0	0
Miscellaneous	58,426	65	298	436	59,224	23	23
TOTAL REVENUES	58,426	286,813	393,254	168,362	906,856	23	23
EXPENDITURES							
Current:							
General government services	0	0	0	0	0	0	0
Public safety	25,094	0	0	0	25,094	0	0
Physical environment	0	78,750	0	0	78,750	0	0
Transportation	0	711,502	0	0	711,502	0	0
Economic environment	0	0	0	105,177	105,177	0	0
Culture and recreation	0	0	0	0	0	0	0
Debt Service:							
Principal	0	0	0	0	0	470,000	470,000
Interest	0	0	3	376	379	439,613	439,613
Capital outlay	2,738	0	391,110	0	393,847	0	0
TOTAL EXPENDITURES	27,832	790,252	391,113	105,553	1,314,749	909,613	909,613
Excess of revenues over (under) expenditures	30,595	(503,439)	2,141	62,810	(407,893)	(909,589)	(909,589)
OTHER FINANCING SOURCES (USES):							
Transfers in	0	426,100	0	5,400	431,500	909,350	909,350
Transfers out	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	0	426,100	0	5,400	431,500	909,350	909,350
Net change in fund balances	30,595	(77,339)	2,141	68,210	23,607	(239)	(239)
Fund balances - beginning	0	107,000	166,296	(57,540)	215,756	7,403	7,403
FUND BALANCES - ENDING	\$30,595	\$29,662	\$168,437	\$10,669	\$239,363	\$7,163	\$7,163



CITY OF MUKILTEO

Supplemental Information

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non Major Governmental Funds For the Year Ended December 31, 2011

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	Capital Projects Funds					Total Other Governmental Funds
	Parks Acquisition & Development	Transportation Impact Fees	Real Estate Excise Tax II	Municipal Facilities	Total Capital Projects Funds	
REVENUES						
Taxes	\$0	\$0	\$400,605	\$0	\$400,605	\$568,532
Intergovernmental revenues	418,009	0	0	0	418,009	1,097,715
Charges for services	29,256	39,617	0	0	68,873	68,873
Miscellaneous	125	220	8,025	0	8,369	67,617
TOTAL REVENUES	447,390	39,837	408,630	0	895,857	1,802,736
EXPENDITURES						
Current:						
General government services	0	0	0	0	0	0
Public safety	0	0	0	0	0	25,094
Physical environment	0	0	0	0	0	78,750
Transportation	0	0	0	0	0	711,502
Economic environment	0	0	0	0	0	105,177
Culture and recreation	0	0	0	0	0	0
Debt Service:						
Principal	0	0	0	0	0	470,000
Interest	154	0	0	0	154	440,145
Capital outlay	375,104	0	408,053	0	783,158	1,177,005
TOTAL EXPENDITURES	375,258	0	408,053	0	783,311	3,007,673
Excess of revenues over (under) expenditures	72,132	39,837	577	0	112,545	(1,204,937)
OTHER FINANCING SOURCES (USES):						
Transfers in	0	0	0	0	0	1,340,850
Transfers out	0	0	(70,050)	0	(70,050)	(70,050)
TOTAL OTHER FINANCING SOURCES	0	0	(70,050)	0	(70,050)	1,270,800
Net change in fund balances	72,132	39,837	(69,473)	0	42,495	65,864
Fund balances - beginning	(14,598)	92,046	387,414	170	465,032	688,190
FUND BALANCES - ENDING	\$57,533	\$131,883	\$317,941	\$170	\$507,527	\$754,053



Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Equipment Replacement Fund

The City maintains a detailed equipment replacement schedule for all capital equipment owned by the City. Departments are charged an annual fee that is set aside for the purpose of replacing capital equipment used by the department.

Facilities Maintenance Fund

This fund receives all revenues from a funds transfer from the General Fund. This fund is used for expenses related to maintenance of City facilities.



**Combining Statement of Net Assets
Internal Service Funds
December 31, 2011**

	Equipment Replacement	Facilities Maintenance	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$1,613,537	\$101,696	\$1,715,233
Interfund loans receivable	187,569	0	187,569
Total Current Assets	1,801,107	101,696	1,902,803
Non-current assets:			
Capital assets, net of depreciation:			
Machinery and equipment	1,210,823	0	1,210,823
Buildings	0	3,264	3,264
Other Improvements	0	7,190	7,190
Total Noncurrent Assets	1,210,823	10,454	1,221,277
TOTAL ASSETS	\$3,011,930	\$112,150	\$3,124,080
LIABILITIES			
Current liabilities:			
Wages payable	0	1,549	1,549
Accounts payable	4,277	12,289	16,566
TOTAL LIABILITIES	\$4,277	\$13,838	\$18,115
NET ASSETS			
Invested in capital assets	1,210,823	10,454	1,221,277
Unrestricted	1,796,830	87,858	1,884,687
TOTAL NET ASSETS	\$3,007,653	\$98,312	\$3,105,965



**Combining Statement of Revenues, Expenditures, and Changes in Net Assets
Internal Service Funds
For the Year Ended December 31, 2011**

	Equipment Replacement	Facilities Maintenance	Total
OPERATING REVENUE:			
Charges for services	\$770,800	\$0	\$770,800
Miscellaneous	0	86	86
TOTAL OPERATING REVENUES	770,800	86	770,886
OPERATING EXPENSES:			
Personnel services	0	99,706	99,706
Supplies	4,243	30,728	34,971
Other services and charges	1,048	245,358	246,405
Depreciation	230,362	0	230,362
TOTAL OPERATING EXPENSES	235,652	375,792	611,444
Operating Income (Loss)	535,148	(375,706)	159,442
NON-OPERATING REVENUES (EXPENSES)			
Investment income	2,770	0	2,770
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,770	0	2,770
Income (Loss) Before Transfers	537,918	(375,706)	162,212
Transfers in	0	422,000	422,000
Change in Net Assets	537,918	46,294	584,212
NET ASSETS - BEGINNING	2,469,735	52,018	2,521,753
NET ASSETS - ENDING	\$3,007,653	\$98,312	\$3,105,965



**Combining Statement of Cash Flows
Internal Service Funds
For the year ended December 31, 2011**

	Equipment Replacement	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	770,800	1,745	772,545
Payments to suppliers	(1,014)	(287,602)	(288,615)
Payments to employees	0	(99,706)	(99,706)
Net cash provided (used) by operating activities	769,786	(385,562)	384,223
CASH FLOWS FROM NON-OPERATING ACTIVITIES			
Transfers (to)/from other funds	0	422,000	422,000
Net cash provided (used) by non-operating activities	0	422,000	422,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds of interfund loan	45,000	0	45,000
Acquisition and construction of capital assets	(361,132)	(2,190)	(363,322)
Net cash provided (used) by capital and related financing activities	(316,132)	(2,190)	(318,322)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	2,770	0	2,770
Net cash provided by investing activities	2,770	0	2,770
Net Increase (Decrease) in Cash and Cash Equivalents	456,425	34,248	490,671
Cash and Cash Equivalents, January 1	1,157,113	67,448	1,224,561
Cash and Cash Equivalents, December 31	1,613,537	101,696	1,715,232
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	535,148	(375,706)	159,442
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	230,362	0	230,362
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	0	1,659	1,659
Increase (decrease) in accounts payable	4,277	(11,517)	(7,240)
Total Adjustments	234,639	(9,858)	224,781
Net cash provided by operating activities	769,786	(385,564)	384,223



CITY OF MUKILTEO

Supplemental Information

Statement of Changes in Fiduciary Net Assets
Agency Funds
For the year ended December 31, 2011

	Balance 12/31/10	Additions	Deductions	Balance 12/31/11
ASSETS				
Cash and cash equivalents	40,155	41,240	50,436	30,959
Accounts receivable	82	304	385	0
TOTAL ASSETS	40,236	41,544	50,821	30,959
LIABILITIES				
Checks Payable	334	26,428	26,428	334
Due to State - Building Code Fees	522	756	23	1,256
Leasehold Excise Tax Payable	5,058	20,496	20,406	5,148
Due to State - Forfeits & Seizures	121	5,934	5,934	121
Sales and Use Tax Payable	863	13,907	11,930	2,841
Deposits	33,339	0	12,078	21,261
TOTAL LIABILITIES	40,236	67,520	76,798	30,959



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund - Reconciliation

For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Miscellaneous revenue - General Fund, As Adopted	222,500	244,125	290,571	46,446
Miscellaneous revenue - LEOFF I Reserve Fund	450	450	258	(192)
Miscellaneous revenue - Technology Replacement Fund	2,400	2,400	5,565	3,165
Miscellaneous Revenue - General Fund, As Reported	225,350	246,975	296,394	49,419
EXPENDITURES				
General government services - General Fund, As Adopted	2,535,750	2,663,350	2,581,854	(81,496)
General government services - LEOFF I Reserve Fund	34,900	34,900	33,470	(1,430)
General government services - Technology Replacement Fund	0	0	18,865	18,865
General government services - General Fund, As Reported	2,570,650	2,698,250	2,634,189	(64,061)
Economic environment - General Fund, As Adopted	969,990	973,190	883,354	(89,836)
Economic environment - Paine Field Emergency Reserve Fund	176,240	176,240	19,020	(157,220)
Economic environment - General Fund, As Reported	1,146,230	1,149,430	902,374	(247,056)
Capital outlay - General Fund, As Adopted	342,000	390,500	262,832	(127,668)
Capital outlay - Technology Replacement Fund	76,600	85,100	63,650	(21,450)
Capital outlay - General Fund, As Reported	418,600	475,600	326,482	(149,118)
OTHER FINANCING SOURCES:				
Transfers in - General Fund, As Adopted	0	0	0	0
Transfers in - LEOFF I Reserve Fund	30,000	30,000	30,000	0
Transfers in - Paine Field Emergency Reserve Fund	150,000	150,000	150,000	0
Transfers in - Health Insurance Administration Fund	1,000	1,000	1,000	0
Transfers in - Technology Replacement Fund	75,000	75,000	75,000	0
Transfers in - General Fund, As Reported	256,000	256,000	256,000	0
FUND BALANCES - BEGINNING				
General Fund, As Adopted	4,725,080	4,725,080	5,231,796	506,716
LEOFF I Reserve Fund	135,720	135,720	137,375	1,655
Paine Field Emergency Reserve Fund	26,240	26,240	26,237	(3)
Health Insurance Administration Fund	50,000	50,000	49,996	(4)
City Reserve Fund	1,000,000	1,000,000	1,000,000	0
Unemployment Compensation Fund	40,490	40,490	40,488	(2)
Technology Replacement Fund	118,770	118,770	143,067	24,297
Beginning Fund balances - General Fund, As Reported	6,096,300	6,096,300	6,628,960	532,660
FUND BALANCES - ENDING				
General Fund, As Adopted	3,761,840	3,616,948	4,897,929	1,280,981
LEOFF I Reserve Fund	131,270	131,270	134,164	2,894
Paine Field Emergency Reserve Fund	0	0	157,217	157,217
Health Insurance Administration Fund	51,000	51,000	50,996	(4)
City Reserve Fund	1,000,000	1,000,000	1,000,000	0
Unemployment Compensation Fund	40,490	40,490	40,488	(2)
Technology Replacement Fund	119,570	111,070	141,117	30,047
Ending Fund balances - General Fund, As Reported	5,104,170	4,950,778	6,421,912	1,471,134



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund – As Adopted For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$9,456,300	\$9,613,800	\$9,613,330	(\$470)
Licenses	1,004,200	1,004,200	1,155,800	151,600
Intergovernmental revenues	432,800	456,126	676,585	220,459
Charges for services	478,200	449,000	485,461	36,461
Fines and forfeitures	172,600	205,600	214,927	9,327
Miscellaneous	222,500	244,125	290,571	46,446
TOTAL REVENUES	11,766,600	11,972,851	12,436,673	463,822
EXPENDITURES				
Current				
General government services	2,535,750	2,663,350	2,581,855	(81,495)
Public safety	6,688,650	6,738,426	6,768,256	29,830
Physical environment	231,650	231,350	215,308	(16,042)
Transportation	0	29,667	9,900	(19,767)
Economic environment	969,990	973,190	883,354	(89,836)
Culture and recreation	722,500	736,400	697,235	(39,165)
Capital outlay	342,000	390,500	262,832	(127,668)
TOTAL EXPENDITURES	11,490,540	11,762,883	11,418,741	(344,142)
Excess of revenues over expenditures	276,060	209,968	1,017,933	807,965
OTHER FINANCING SOURCES (USES):				
Transfers in	0	0	0	0
Transfers out	(1,233,900)	(1,318,100)	(1,351,800)	(33,700)
Debt Service	(5,400)	0	0	0
TOTAL OTHER FINANCING	(1,239,300)	(1,318,100)	(1,351,800)	(33,700)
Net change in fund balances	(963,240)	(1,108,132)	(333,867)	774,265
Fund balances - beginning	4,725,080	4,725,080	5,231,796	506,716
FUND BALANCES - ENDING	\$3,761,840	\$3,616,948	\$4,897,929	\$1,280,981



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual LEOFF I Reserve Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$450	\$450	\$258	(\$192)
TOTAL REVENUES	450	450	258	(192)
EXPENDITURES				
Current				
General Government Services	\$34,900	\$34,900	\$33,470	(\$1,430)
TOTAL EXPENDITURES	34,900	34,900	33,470	(1,430)
Excess of revenues over expenditures	(34,450)	(34,450)	(33,211)	1,239
OTHER FINANCING SOURCES (USES)				
Transfers in	\$30,000	\$30,000	\$30,000	\$0
TOTAL OTHER FINANCING SOURCES (USES)	30,000	30,000	30,000	0
Net change in fund balances	(4,450)	(4,450)	(3,211)	1,239
Fund balance - beginning	135,720	135,720	137,375	1,655
FUND BALANCE - ENDING	\$131,270	\$131,270	\$134,164	\$2,894



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual Technology Replacement Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$2,400	\$2,400	\$5,565	\$3,165
TOTAL REVENUES	2,400	2,400	5,565	3,165
EXPENDITURES				
Current				
General government services	\$0	\$0	\$18,865	\$18,865
Capital outlay	76,600	85,100	63,650	(21,450)
TOTAL EXPENDITURES	76,600	85,100	82,515	(2,585)
Excess of revenues over expenditures	(74,200)	(82,700)	(76,950)	5,750
OTHER FINANCING SOURCES (USES)				
Transfers in	\$75,000	\$75,000	\$75,000	\$0
TOTAL OTHER FINANCING SOURCES (USES)	75,000	75,000	75,000	0
Net change in fund balances	800	(7,700)	(1,950)	5,750
Fund Balance - Beginning	118,770	118,770	143,067	24,297
FUND BALANCE - ENDING	\$119,570	\$111,070	\$141,117	\$30,047



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual Paine Field Emergency Reserve Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous Revenues	\$0	\$0	\$0	\$0
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Current				
Economic environment	176,240	176,240	19,020	(157,220)
TOTAL EXPENDITURES	176,240	176,240	19,020	(157,220)
Excess of revenues over expenditures	(176,240)	(176,240)	(19,020)	157,220
OTHER FINANCING SOURCES (USES)				
Transfers in	\$150,000	\$150,000	\$150,000	\$0
TOTAL OTHER FINANCING SOURCES USES)	150,000	150,000	150,000	0
Net change in fund balances	(26,240)	(26,240)	130,980	157,220
Fund Balance - Beginning	26,240	26,240	26,237	(3)
FUND BALANCE - ENDING	\$0	\$0	\$157,217	\$157,217



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual Health Insurance Administration Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
OPERATING REVENUES	\$0	\$0	\$0	\$0
Total operating revenues	0	0	0	0
OPERATING EXPENSES	0	0	0	0
Total operating expenses	0	0	0	0
OPERATING INCOME (LOSS)	0	0	0	0
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	0	0	0	0
Total non-operating revenue (expense)	0	0	0	0
Income (loss) before contributions and transfers	0	0	0	0
NON-OPERATING REVENUES (EXPENSES)				
Transfers out	0	0	0	0
Transfers in	1,000	1,000	1,000	0
Beginning Fund Balance	50,000	50,000	49,996	(4)
Ending Fund Balance	\$51,000	\$51,000	\$50,996	(\$4)



CITY OF MUKILTEO

Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual City Reserve Fund For the Fiscal Year ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES	\$0	\$0	\$0	\$0
TOTAL REVENUES	0	0	0	0
EXPENDITURES	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0
Excess of revenues over expenditures	0	0	0	0
Net change in fund balances	0	0	0	0
Fund balances - beginning	1,000,000	1,000,000	1,000,000	0
FUND BALANCES - ENDING	\$1,000,000	\$1,000,000	\$1,000,000	\$0



**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
Unemployment Compensation Fund
For the Fiscal Year ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Fund Balance	\$40,490	\$40,490	\$40,488	(\$2)
Ending Fund Balance	\$40,490	\$40,490	\$40,488	(\$2)



Statistical Section

This part of the City of Mukilteo's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future..

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.



Net Assets By Component

Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in capital assets, net of related debt	\$ 120,749,522	\$ 200,726,356	\$ 201,814,554	\$ 185,420,202	\$ 179,046,883	\$ 174,222,431	\$ 177,953,497	\$ 173,423,150	\$166,764,649	\$170,334,986
Restricted	20,810	6,564,134	6,799,608	8,801,020	11,318,444	13,299,745	9,673,940	6,854,917	5,904,247	5,954,141
Unrestricted	18,505,029	11,674,922	11,416,823	15,095,244	17,418,479	18,169,777	10,282,447	8,270,324	7,899,586	7,570,347
Total governmental activities net assets	<u>\$ 139,275,361</u>	<u>\$ 218,965,412</u>	<u>\$ 220,030,985</u>	<u>\$ 209,316,466</u>	<u>\$ 207,783,806</u>	<u>\$ 205,691,953</u>	<u>\$ 197,909,884</u>	<u>\$ 188,548,391</u>	<u>\$ 180,568,482</u>	<u>\$ 183,859,474</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$ 8,428,039	\$ 2,180,348	\$ 2,206,674	\$ 4,510,209	\$ 4,721,709	\$ 4,251,120	\$ 4,205,460	\$ 3,942,067	\$ 3,914,484	\$3,730,620
Unrestricted	243,958	182,588	993	316,592	632,125	1,070,251	1,335,376	1,721,007	1,603,200	1,805,689
Total business-type activities net assets	<u>\$ 8,671,997</u>	<u>\$ 2,362,936</u>	<u>\$ 2,207,667</u>	<u>\$ 4,826,801</u>	<u>\$ 5,353,834</u>	<u>\$ 5,321,371</u>	<u>\$ 5,540,836</u>	<u>\$ 5,663,074</u>	<u>\$ 5,517,684</u>	<u>\$ 5,536,308</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 129,177,561	\$ 202,906,704	\$ 204,021,228	\$ 189,930,411	\$ 183,768,592	\$ 178,473,551	\$ 182,158,957	\$ 177,365,217	\$ 170,679,133	\$ 174,065,606
Restricted	20,810	6,564,134	6,799,608	8,801,020	11,318,444	13,299,745	9,673,940	6,854,917	5,904,247	5,954,141
Unrestricted	18,748,987	11,857,510	11,417,816	15,411,836	18,050,604	19,240,028	11,617,823	9,991,331	9,502,786	9,376,035
Total primary government net assets	<u>\$ 147,947,358</u>	<u>\$ 221,328,348</u>	<u>\$ 222,238,652</u>	<u>\$ 214,143,267</u>	<u>\$ 213,137,640</u>	<u>\$ 211,013,324</u>	<u>\$ 203,450,720</u>	<u>\$ 194,211,465</u>	<u>\$ 186,086,166</u>	<u>\$ 189,395,782</u>

Source: Prior years published Comprehensive Annual Financial Reports.



CITY OF MUKILTEO

Statistical Section

Changes in Net Assets

Page 1 of 2

Last Ten Fiscal Years

Expenses:

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
General government	\$1,800,815	\$1,823,400	\$1,821,822	\$2,832,292	\$3,090,080	\$4,193,496	\$3,344,367	\$2,714,274	\$3,325,827	\$3,444,222
Public safety	5,536,584	8,830,883	7,324,218	5,935,915	6,401,863	7,370,795	8,153,872	8,691,625	8,460,885	8,681,873
Physical environment	258,703	127,459	177,124	367,107	347,751	404,866	902,912	904,339	364,312	282,463
Transportation	11,886,617	1,208,788	1,916,824	8,539,306	8,319,734	8,498,718	8,701,510	9,321,668	8,964,903	8,695,553
Economic environment	710,414	720,208	644,168	753,245	920,291	1,169,686	1,501,697	1,386,835	1,716,074	1,047,456
Culture and recreation	617,132	213,257	1,365,003	712,526	737,710	931,559	1,261,755	1,588,533	1,627,024	1,693,891
Interest on debt	193,808	135,528	100,803	63,999	25,000	0	0	87,198	459,430	446,615
Total governmental activities expenses	<u>21,004,073</u>	<u>13,059,523</u>	<u>13,349,962</u>	<u>19,204,390</u>	<u>19,842,429</u>	<u>22,569,120</u>	<u>23,866,113</u>	<u>24,694,472</u>	<u>24,918,455</u>	<u>24,292,073</u>
Business-type activities										
Utility Operations	704,229	917,519	1,334,721	805,811	699,274	1,078,896	1,075,599	1,197,130	1,388,871	1,369,980
Total business-type activities expenses	<u>704,229</u>	<u>917,519</u>	<u>1,334,721</u>	<u>805,811</u>	<u>699,274</u>	<u>1,078,896</u>	<u>1,075,599</u>	<u>1,197,130</u>	<u>1,388,871</u>	<u>1,369,980</u>
Total primary government expenses	<u>21,708,302</u>	<u>13,977,042</u>	<u>14,684,683</u>	<u>20,010,201</u>	<u>20,541,703</u>	<u>23,648,016</u>	<u>24,941,712</u>	<u>25,891,602</u>	<u>26,307,326</u>	<u>25,662,054</u>

Program Revenues:

Governmental activities										
Charges for services:										
General government	174,593	963,271	1,144,972	1,804,013	1,873,890	2,219,610	1,785,529	1,211,684	1,503,555	1,292,326
Other	1,064,597	738,649	1,305,686	1,985,651	2,031,693	1,882,899	1,570,567	1,376,108	1,253,574	1,404,502
Operating grants and contributions	249,740	415,661	459,909	2,290	4,505	8,652	98,451	41,506	310,635	112,943
Capital grants and contributions	7,235,034	449,000	4,225	2,709,399	0	0	0	800,000	1,672,170	864,468
Total governmental activities program revenues	<u>8,723,964</u>	<u>2,566,581</u>	<u>2,914,792</u>	<u>6,501,353</u>	<u>3,910,088</u>	<u>4,111,161</u>	<u>3,454,547</u>	<u>3,429,298</u>	<u>4,739,934</u>	<u>3,674,239</u>
Business-type activities										
Charges for services	861,668	871,357	1,175,754	1,114,319	1,202,088	1,230,133	1,257,681	1,321,499	1,233,380	1,385,525
Operating grants and contributions	15,000	9,050	0	0	0	0	0	0	0	0
Capital grants and contributions	218,217	132,560	0	626,960	0	0	0	0	0	0
Total business-type activities program revenues	<u>1,094,885</u>	<u>1,012,967</u>	<u>1,175,754</u>	<u>1,741,279</u>	<u>1,202,088</u>	<u>1,230,133</u>	<u>1,257,681</u>	<u>1,321,499</u>	<u>1,233,380</u>	<u>1,385,525</u>

Net (Expense) Revenue

Governmental activities	(12,280,109)	(10,492,942)	(10,435,170)	(12,703,037)	(15,932,341)	(18,457,959)	(20,411,566)	(21,265,175)	(20,178,520)	(20,617,835)
Business-type activities	390,656	95,448	(158,967)	935,468	502,814	151,237	182,082	124,369	(155,491)	15,544
Total primary government net expense	<u>(11,889,453)</u>	<u>(10,397,494)</u>	<u>(10,594,137)</u>	<u>(11,767,569)</u>	<u>(15,429,527)</u>	<u>(18,306,722)</u>	<u>(20,229,484)</u>	<u>(21,140,807)</u>	<u>(20,334,011)</u>	<u>(20,602,290)</u>



CITY OF MUKILTEO

Statistical Section

Changes in Net Assets

Page 2 of 2

Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues:										
Governmental activities										
Taxes:										
Property	4,294,052	4,833,669	4,846,384	5,682,699	5,394,735	5,040,684	5,211,238	5,291,877	5,510,291	6,277,896
Sales	2,122,720	1,412,509	1,376,812	2,296,092	2,396,991	2,663,800	2,555,293	2,107,024	2,138,984	2,281,034
Utility	2,275,418	1,980,605	2,335,829	2,440,343	2,599,479	2,810,637	2,848,484	2,834,262	2,763,158	2,794,610
Other	1,917,075	1,551,957	2,426,189	2,775,687	2,715,745	2,988,768	2,041,533	1,520,807	1,608,546	1,739,442
Investment earnings	358,683	265,498	248,367	660,834	1,262,858	1,461,214	756,681	73,849	65,975	35,052
Gain on sale of capital assets	23,402	1,173	12,154	(2,751,260)	0	0	(31,600)	12,297	0	0
Miscellaneous	120,088	189,826	182,734	54,759	24,226	27,820	47,946	443,302	129,001	200,612
Prior Period Adjustments	0	0	0	0	0	0	0	(285,871)	0	0
Transfers	0	0	0	0	0	0	0	0	(4,998)	0
Total governmental activities general revenues	11,111,438	10,235,237	11,428,469	11,159,154	14,394,034	14,992,923	13,429,575	11,997,547	12,210,957	13,328,646
Business-type activities										
Investment earnings	14,108	1,736	3,698	10,531	24,218	43,046	27,497	10,125	5,103	3,080
Miscellaneous	96	0	0	0	0	0	0	0	0	0
Change in accounting policy	0	0	0	0	0	0	0	(12,256)	0	0
Prior Period Adjustments	0	(6,388,763)	0	1,673,135	0	(226,746)	600	0	0	0
Transfers	0	0	0	0	0	0	9,286	0	4,998	0
Total business-type activities general revenues	14,204	(6,387,027)	3,698	1,683,666	24,218	(183,700)	37,383	(2,131)	10,101	3,080
Total primary government	11,125,642	3,848,210	11,432,167	12,842,820	14,418,252	14,809,223	13,466,958	11,995,416	12,221,058	13,331,726
Change in Net Assets										
Governmental activities	(1,168,671)	(257,705)	993,299	(1,543,883)	(1,538,307)	(3,465,036)	(6,981,993)	(9,267,629)	(7,967,563)	(7,289,189)
Business-type activities	404,860	(6,291,579)	(155,269)	2,619,134	527,032	(32,463)	219,465	122,238	(145,390)	18,625
Prior Period Adjustments	0	5,531,781	72,274	(9,170,636)	5,647	1,373,183	(800,078)	(93,864)	(12,346)	0
Total primary government	(\$763,811)	(\$1,017,503)	\$910,304	(\$8,095,385)	(\$1,005,628)	(\$2,124,316)	(\$7,562,606)	(\$9,239,255)	(\$8,125,299)	(\$7,270,564)

Source: 2002 through 2004 published Comprehensive Annual Financial Reports and 2005 - 2010 audited financial statements.



CITY OF MUKILTEO

Statistical Section

Governmental Activities Tax Revenues by Source Last Ten Fiscal Years

Fiscal Year	Property Tax	Sales Tax	Utility Tax	Lodging Tax	Excise Tax	Other Tax	Total
2002	4,294,052	2,122,720	2,275,418	72,156	1,247,389	395,204	10,406,939
2003	4,833,669	1,412,509	1,980,605	77,282	1,042,951	431,724	9,778,740
2004	4,846,384	1,376,812	2,335,829	88,132	1,328,750	1,009,307	10,985,214
2005	5,682,699	2,296,092	2,440,343	97,356	2,267,740	410,591	13,194,821
2006	5,394,735	2,396,991	2,599,479	145,102	2,120,675	449,968	13,106,950
2007	5,040,684	2,663,800	2,810,637	126,685	2,386,681	475,402	13,503,889
2008	5,211,238	2,555,293	2,848,484	142,294	1,378,330	520,909	12,656,548
2009	5,291,877	2,107,024	2,834,262	96,187	1,018,510	406,110	11,753,970
2010	5,510,291	2,138,984	2,763,158	145,769	1,027,534	435,243	12,020,979
2011	6,277,896	2,281,034	2,794,610	167,927	1,150,930	420,586	13,092,982
Percentage Change in Dollars Over 10 Years	46.2%	7.5%	22.8%	132.7%	-7.7%	6.4%	25.8%

Source: Prior years published Comprehensive Annual Financial Reports.



Fund Balances of Governmental Funds Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$115,810	\$20,810	\$20,810	\$20,810	\$20,810	\$20,810	\$10,406	\$2,288,671	\$2,288,671	\$0
Unreserved	3,966,951	5,538,153	4,179,311	6,658,269	7,930,353	7,863,298	6,817,515	3,056,362	2,943,125	0
Nonspendable	0	0	0	0	0	0	0	0	0	1,000
Restricted	0	0	0	0	0	0	0	0	0	50,996
Committed	0	0	0	0	0	0	0	0	0	291,381
Assigned	0	0	0	0	0	0	0	0	0	3,329,159
Unassigned	0	0	0	0	0	0	0	0	0	2,608,258
Subtotal General Fund	4,082,761	5,558,963	4,200,121	6,679,079	7,951,163	7,884,108	6,827,921	5,345,033	5,231,796	6,280,794
General Fund Percentage Change	-4.1%	36.2%	-24.4%	59.0%	19.0%	-0.8%	-13.4%	-21.7%	-2.1%	20.1%
All Other Governmental Funds										
Reserved	0	0	0	0	0	21,901,338	12,213,756	19,233,886	10,160,021	0
Unreserved										
General Fund Type Funds	0	0	0	0	0	0	0	189,924	163,612	0
Special Revenue Funds	9,581,775	6,136,752	5,940,889	7,417,433	8,600,665	0	0	0	(57,540)	0
Debt Service Funds	27,389	83,479	109,911	94,417	98,038	0	0	0	0	0
Capital Projects Funds	4,215,941	5,161,639	6,372,557	7,984,074	10,213,928	0	0	0	(14,598)	0
Restricted	0	0	0	0	0	0	0	0	0	6,405,967
Committed	0	0	0	0	0	0	0	0	0	156,115
Assigned	0	0	0	0	0	0	0	0	0	170
Subtotal All Other Governmental Funds	13,825,105	11,381,870	12,423,357	15,495,924	18,912,631	21,901,338	12,213,756	19,423,810	10,251,495	6,562,252
Total Governmental Funds										
Reserved	115,810	20,810	20,810	20,810	20,810	21,922,148	12,224,162	21,522,557	12,448,692	0
Unreserved	17,792,056	16,920,023	16,602,668	22,154,193	26,842,984	7,863,298	6,817,515	3,246,286	3,034,599	0
Nonspendable	0	0	0	0	0	0	0	0	0	1,000
Restricted	0	0	0	0	0	0	0	0	0	6,456,963
Committed	0	0	0	0	0	0	0	0	0	447,496
Assigned	0	0	0	0	0	0	0	0	0	3,329,329
Unassigned	0	0	0	0	0	0	0	0	0	2,608,258
Total Governmental Funds	\$17,907,866	\$16,940,833	\$16,623,478	\$22,175,003	\$26,863,794	\$29,785,446	\$19,041,677	\$24,768,843	\$15,483,291	\$12,843,046
All Governmental Funds Percentage Change	3.6%	-5.4%	-1.9%	33.4%	21.1%	10.9%	-36.1%	30.1%	-37.5%	-17.1%

Source: Prior years published Comprehensive Annual Financial Reports.

Note: The City implemented the provisions of GASB Statement 54 for the year 2011, which requires the presentation of governmental fund balances in the following classifications: nonspendable, restricted, committed, assigned, and unassigned. See the Notes to the Financial Statements No. 1.E.12 for a discussion of the nature of these classifications. The presentation of prior years' fund balances have not been restated.



CITY OF MUKILTEO

Statistical Section

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years

	Fiscal Year					Fiscal Year				
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$ 9,641,244	\$ 9,681,245	\$ 10,174,273	\$ 12,480,127	\$ 12,356,315	\$ 12,681,028	\$ 11,758,234	\$ 11,264,543	\$ 11,504,800	\$12,752,668
Intergovernmental	1,404,624	1,177,833	777,508	738,904	777,558	837,076	1,005,414	1,527,584	2,859,710	1,353,713
Charges for services	630,668	789,027	879,569	1,283,800	1,154,821	1,378,522	1,042,572	1,007,601	983,295	937,840
Licenses and permits	743,151	838,352	881,494	1,132,820	1,201,740	1,167,154	952,722	999,251	1,035,403	1,156,075
Fines and forfeitures	128,419	149,740	142,364	92,545	100,476	140,397	145,638	140,325	183,240	214,927
Miscellaneous	505,227	590,831	337,612	863,547	1,467,673	1,704,502	1,002,647	414,389	350,551	533,614
Total Revenues	\$ 13,053,333	\$ 13,227,028	\$ 13,192,820	\$ 16,591,743	\$ 17,058,583	\$ 17,908,679	\$ 15,907,227	\$ 15,353,693	\$ 16,916,999	\$ 16,948,838
Expenditures:										
General government	\$ 1,611,484	\$ 1,584,809	\$ 1,659,159	\$ 1,759,871	\$ 1,916,018	\$ 2,443,327	\$ 2,444,307	\$ 2,533,173	\$ 2,527,970	\$ 2,634,189
Public safety	4,724,223	4,836,248	5,217,478	5,644,123	6,087,495	7,004,039	7,507,830	8,298,178	7,883,719	8,725,287
Physical environment	171,150	194,188	442,124	273,022	255,633	328,753	807,613	610,885	373,420	294,058
Transportation	672,002	602,057	369,935	591,450	529,077	627,596	722,959	1,159,010	847,324	721,403
Economic environment	676,478	899,799	781,610	748,987	928,492	1,142,317	1,455,250	1,183,908	1,163,757	1,007,551
Culture and recreation	445,767	575,018	1,153,676	566,496	572,791	706,948	888,027	853,596	994,459	1,257,535
Capital outlay	2,736,815	4,571,511	2,737,663	1,776,203	1,455,286	2,735,669	13,102,543	7,635,003	11,069,061	3,707,400
Debt service:										
Principal payments	1,470,000	785,000	820,000	865,000	500,000	0	0	0	455,000	470,000
Interest and other charges	193,808	145,242	100,803	63,999	25,000	0	0	214,439	452,960	440,145
Total Expenditures	\$ 12,701,727	\$ 14,193,872	\$ 13,282,448	\$ 12,289,151	\$ 12,269,792	\$ 14,988,649	\$ 26,928,529	\$ 22,488,193	\$ 25,767,670	\$ 19,257,568
Excess (Deficiency) of Revenues Over (Under)	351,606	(966,844)	(89,628)	4,302,592	4,788,791	2,920,030	(11,021,302)	(7,134,500)	(8,850,671)	(2,308,729)
Expenditures	351,606	(966,844)	(89,628)	4,302,592	4,788,791	2,920,030	(11,021,302)	(7,134,500)	(8,850,671)	(2,308,729)
Other Financing Sources (Uses)										
Bond Issuance	0	0	0	0	0	0	0	12,585,001	0	0
Bond Premium	0	0	0	0	0	0	0	348,159	0	0
Transfers in	2,634,853	468,600	2,508,740	1,316,000	1,384,000	2,143,059	6,308,154	2,133,093	2,297,788	1,839,150
Transfers out	(2,410,999)	(468,600)	(2,808,740)	(1,316,000)	(1,484,000)	(2,143,059)	(6,002,240)	(2,133,093)	(2,697,656)	(2,261,150)
Total Other Financing	\$ 223,854	\$ 0	\$ (300,000)	\$ 0	\$ (100,000)	\$ 0	\$ 305,914	\$ 12,933,159	\$ (399,868)	\$ (422,000)
Prior Period Adjustments	52,923	0	72,274	1,248,933	0	1,623	(28,380)	(71,493)	0	0
Net Change in Fund Balances	\$ 628,383	\$ (966,844)	\$ (317,354)	\$ 5,551,525	\$ 4,688,791	\$ 2,921,653	\$ (10,743,768)	\$ 5,727,166	\$ (9,250,539)	\$ (2,730,729)
Debt Service as a % of Noncapital Expenditures	20.0%	10.7%	9.6%	9.7%	5.1%	0.0%	0.0%	1.5%	6.6%	6.2%

Source: Prior years published Comprehensive Annual Financial Reports and audited financial statements.



Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in millions of dollars)

Fiscal Year	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Annual Percentage Change
2002	1,310	438	-87	1,661	2.5612	1,661	3%
2003	1,730	735	-306	2,159	2.2589	2,159	30%
2004	1,777	581	-166	2,192	2.2589	2,192	2%
2005	2,008	555	-110	2,453	2.3308	2,453	12%
2006	2,293	647	-125	2,815	1.9490	2,815	15%
2007	2,885	758	-198	3,445	1.4789	3,445	22%
2008	3,371	900	-227	4,044	1.2852	4,044	17%
2009	3,396	960	-191	4,165	1.2755	4,165	3%
2010	3,094	897	-80	3,911	1.3761	3,911	-6%
2011	2,927	795	-181	3,541	1.7864	3,541	-9%

Notes:

1 Washington State law requires all property be assessed at 100 % of its true and fair market value.

2 Tax rates expressed in rate per \$1,000

Source: Snohomish County Assessor's Office



Property Tax Rates – Direct and Overlapping Governments
(per \$1,000 of assessed valuation)
Last Ten Fiscal Years

Year	City	County	State	Other Overlapping Rates			Total
				School	Library	Port	
2002	2.5612	1.4293	3.2876	5.1327	0.4664	0.4190	13.2962
2003	2.2386	1.3665	3.1838	4.7558	0.4572	0.3769	12.3788
2004	2.2589	1.2085	2.9526	4.8428	0.5000	0.3770	12.1398
2005	2.3308	1.0976	2.7890	4.4230	0.4565	0.3534	11.4503
2006	1.9490	0.9993	2.5319	4.2949	0.4228	0.3301	10.5280
2007	1.4789	0.8399	2.1646	3.9270	0.3532	0.3095	9.0731
2008	1.2852	0.7234	1.9056	3.4274	0.3128	0.2764	7.9308
2009	1.2755	0.7165	1.9094	3.2735	0.3135	0.2668	7.7552
2010	1.3761	0.7823	1.9925	3.6241	0.4000	0.2847	8.4598
2011	1.7864	0.8684	2.2064	4.3109	0.4506	0.2849	9.9076

Source: Snohomish County Assessor Annual Reports



CITY OF MUKILTEO

Statistical Section

Principal Property Taxpayers

By Taxable Assessed Value

December 31, 2011 and 2002

(Amounts expressed in thousands)

2011				2002			
Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Travis Business Park LLC	\$ 63,779	1	1.8%	Boeing Company	\$ 45,697	1	2.6%
RREEF Management Co.	46,000	2	1.3%	RREEF America Reit II Corp	32,089	2	1.8%
WiredZone Property LLP	33,292	3	0.9%	Wiredzone Property LP	19,500	3	1.1%
Legacy Partners Harbour Pt LLC	32,706	4	0.9%	GFS Harbour Pointe LLC	19,436	4	1.1%
PPC OTGHP LLC	31,777	5	0.9%	Misawa On The Green	16,628	5	1.0%
SVF Harbour Pointe Mukilteo LLC	24,843	6	0.7%	Harbour Pointe Shopping Center	14,435	6	0.8%
SC Harbour Pointe Inc.	22,331	7	0.6%	Palmer Groth & Pietka Inc	14,029	7	0.8%
Electroimpact Inc.	19,624	8	0.6%	Global Crossing Ltd	12,765	8	0.7%
Essex Property Trust	16,021	9	0.5%	Ires Carl J Pines	12,313	9	0.7%
Sterling Realty Organization	12,755	10	0.4%	Mukilteo Investors LP	18,089	10	1.0%
Total Principal Taxpayers	303,128		8.6%		204,981		11.7%
All Other Taxpayers	3,238,367		91.4%		1,542,943		88.3%
Total	\$ 3,541,495		100.0%		\$ 1,747,924		100.0%

Source: Snohomish County Assessor's Office



**Property Tax Levies and Collections
Last Ten Fiscal Years**

For the Year Ended December 31	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Total Uncollected Taxes	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
2002	4,464,398	4,294,052	96.18%	130,409	4,424,461	99.1054%	39,937	0.8946%
2003	4,855,153	4,735,385	97.53%	119,768	4,855,153	100.0000%	-	0.0000%
2004	4,948,397	4,721,191	95.41%	227,194	4,948,385	99.9998%	12	0.0002%
2005	5,707,698	5,601,478	98.14%	106,208	5,707,686	99.9998%	12	0.0002%
2006	5,485,942	5,405,164	98.53%	80,750	5,485,914	99.9995%	28	0.0005%
2007	5,097,513	5,023,955	98.56%	72,645	5,096,600	99.9821%	913	0.0179%
2008	5,199,357	5,125,219	98.57%	72,520	5,197,739	99.9689%	1,618	0.0311%
2009	5,968,319	5,885,533	98.61%	70,826	5,956,359	99.7996%	11,960	0.2004%
2010	6,010,655	5,920,534	98.50%	60,173	5,980,707	99.5017%	29,948	0.4983%
2011	7,127,684	7,069,447	99.18%	-	7,069,447	99.1829%	58,238	0.8171%

Source: Snohomish County Treasurer's Office and previous year's CAFR's



Ratios of Outstanding Debt by Type

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income¹	Per Capita¹
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Sewer Bonds	General Obligation Bonds	Capital Leases			
2002	0	0	0	0	0	0	0	0	0
2003	2,185,000	0	0	0	0	0	2,185,000	0	114
2004	1,365,000	0	0	0	0	0	1,365,000	0	71
2005	500,000	0	0	0	0	0	500,000	0	26
2006	0	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0	0
2009	12,585,000	0	0	0	0	0	12,585,000	0	626
2010	12,130,000	0	0	0	0	0	12,130,000	0	595
2011	11,660,000	0	0	0	0	0	11,660,000	0	574

Note: Information on the City's outstanding debt can be found in the Notes to the Financial Statements.

¹See the Schedule of Demographic and Economic Statistics for personal income and population data.



Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2002	2,970,000	26,447	2,943,553	0.18%	159
2003	2,185,000	75,116	2,109,884	0.10%	110
2004	1,365,000	109,911	1,255,089	0.06%	65
2005	500,000	0	500,000	0.02%	26
2006	0	0	0	0.00%	0
2007	0	0	0	0.00%	0
2008	0	0	0	0.00%	0
2009	12,585,000	7,357	12,577,643	0.30%	625
2010	12,130,000	21,698	12,108,302	0.29%	594
2011	11,660,000	7,163	11,652,837	0.30%	574

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics.

Source:

Prior years published Comprehensive Annual Financial Reports.

Snohomish County Assessor's Office.



Direct and Overlapping Governmental Activities Debt as of 12/31/2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Overlapping Debt
City of Mukilteo	\$11,660,000	100%	\$11,660,000
Total Direct Debt	\$11,660,000	100%	\$11,660,000
Local School	\$50,924,758	27.71%	\$14,112,917
County	\$274,404,971	4.13%	\$11,338,196
Fire District	\$2,980,000	13.30%	\$396,415
Total Overlapping Debt	\$328,309,729	7.87%	\$25,847,529
Total Direct and Overlapping Debt	\$339,969,729	11.03%	\$37,507,529

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Mukilteo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the city's boundaries and dividing it by the governmental unit's total taxable assessed value.

Sources: Snohomish County Assessor's Annual Report for 2010 Taxes, and the Snohomish County Treasurer's Office.



CITY OF MUKILTEO

Statistical Section

Legal Debt Margin Information

Last Ten Fiscal Years

For the Year Ended December 31,	2002	2003	2004	Fiscal Year 2005	2006	2007	2008	2009	2010	2011
Total Taxable Property Value	\$ 2,169,239,709	\$ 2,192,201,240	\$ 2,451,853,621	\$ 2,815,314,457	\$ 3,453,306,328	\$ 3,444,579,433	\$ 4,044,382,739	\$ 4,164,912,117	\$ 3,910,934,509	\$ 3,541,494,541
2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803	97,773,363	88,537,364
<i>Up to 1.5% debt without a vote (councilmanic)</i>	32,538,596	32,883,019	36,777,804	42,229,717	51,799,595	51,668,691	60,665,741	62,473,682	58,664,018	53,122,418
Less: outstanding debt	(2,970,000)	(2,185,000)	(1,365,000)	(500,000)	-	-	-	(12,585,000)	(12,130,000)	(11,660,000)
Less: contracts payable					-	-	-	-	-	-
Less: excess of debt with a vote					-	-	-	-	-	-
Add: available assets					-	-	-	7,357	7,400	7,163
Equals: remaining debt capacity without a vote	29,568,596	30,698,019	35,412,804	41,729,717	51,799,595	51,668,691	60,665,741	49,896,039	46,541,418	41,469,581
<i>1% general purposes debt with a vote</i>	21,692,397	21,922,012	24,518,536	28,153,145	34,533,063	34,445,794	40,443,827	41,649,121	39,109,345	35,414,945
Less: outstanding debt					-	-	-	-	-	-
Less: contracts payable					-	-	-	-	-	-
Add: available assets					-	-	-	-	-	-
Equals: remaining debt capacity with a vote	21,692,397	21,922,012	24,518,536	28,153,145	34,533,063	34,445,794	40,443,827	41,649,121	39,109,345	35,414,945
2.5% Utility purpose limit, voted	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803	97,773,363	88,537,364
Less: outstanding debt					-	-	-	-	-	-
Less: contracts payable					-	-	-	-	-	-
Add: available assets					-	-	-	-	-	-
Equals: remaining debt capacity - utility purposes, voted	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803	97,773,363	88,537,364
2.5% Open space, park and capital facilities, voted	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803	97,773,363	88,537,364
Less: outstanding debt					-	-	-	-	-	-
Less: contracts payable					-	-	-	-	-	-
Add: available assets					-	-	-	-	-	-
Equals: remaining debt capacity - open space and capital facilities, voted	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803	97,773,363	88,537,364
	159,722,978	162,230,093	182,524,022	210,648,584	258,997,975	258,343,457	303,328,705	299,790,766	281,197,488	253,959,254

Source: Prior years published Comprehensive Annual Financial Reports.



Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population ¹	Personal Income	Per Capita Income ²	Median Age ³	Avg. School Enrollment ⁴	Unemployment Rate ⁵
2002	18,520	\$584,694,920	\$31,571	36.5	14,311	7.0%
2003	19,190	\$611,316,640	\$31,856	36.5	14,504	7.1%
2004	19,220	\$639,737,700	\$33,285	36.5	14,564	5.8%
2005	19,360	\$676,883,680	\$34,963	39.3	14,907	5.1%
2006	19,620	\$728,196,300	\$37,115	39.3	14,795	4.6%
2007	19,940	\$740,073,100	\$37,115	39.3	14,923	4.3%
2008	20,050	\$744,155,750	\$37,115	39.3	14,789	5.4%
2009	20,110	\$810,473,220	\$40,302	40.1	14,804	9.5%
2010	20,388	\$871,953,984	\$42,768	39.7	15,198	9.8%
2011	20,310	\$885,840,960	\$43,616	41.8	14,895	9.5%

Information source:

¹ Washington State Office of Financial Management

² Washington Office of Financial Management (data is for Snohomish County)

³ U.S. Census Bureau

⁴ Washington State Office of the Superintendent of Public Instruction

⁵ U.S. Department of Labor - Bureau of Labor Statistics (data is for Snohomish County)



Principal Employers Current Year and Nine Years Ago¹

2011				2003			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
Boeing Company	951	1	13.1%	ElectroImpact Inc	182	1	3.8%
Mukilteo School District	539	2	7.4%	Mukilteo YMCA	150	2	3.1%
Travis Industries	400	3	5.5%	Synrad Inc	118	3	2.4%
ElectroImpact Inc	367	4	5.0%	Senior Services of Snohomish County	100	4	2.1%
D3 Technologies Inc	246	5	3.4%	Hydra Master Corp	100	5	2.1%
Senior Services of Snohomish County	200	6	2.8%	Pacific Pride Seafood	95	6	2.0%
Synrad Inc	130	7	1.8%	KAASCO Inc.	94	7	1.9%
KAAS Tailored	126	8	1.7%	Jumbo Foods, Inc.	88	8	1.8%
Mukilteo YMCA	120	9	1.7%	Rane Corp.	80	9	1.7%
Diversified Industrial Services	115	10	1.6%	University Mechanical Contractors	80	10	1.7%
Total Principal Employers	3,194		43.9%	Total Principal Employers	1,087		22.4%
Other Employers	4,075		56.1%	Other Employers	3,761		77.6%
Total Employers	7,269		100.0%	Total Employers	4,848		100.0%

Source: City of Mukilteo Business License Data

¹2002 Data Not Available



CITY OF MUKILTEO

Statistical Section

Full Time Equivalent City Government Employees by Function

Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Executive	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5	5.5	5.5
Finance	6.0	6.0	6.0	6.0	6.0	7.0	7.0	8.0	8.0	8.0
Public Safety										
Police	27.0	27.0	27.0	27.0	28.0	29.0	32.0	32.0	32.0	32.0
Fire	16.0	16.0	19.0	20.0	20.0	21.0	29.5	29.5	29.5	29.5
Planning & Community Development										
Planning	5.0	5.0	7.0	7.0	7.0	6.3	6.0	6.0	6.0	6.0
Building	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Permit Center	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Public Works										
Administration & Engineering	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Streets Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Facilities Maintenance*	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5
Parks and Open Space	3.0	3.0	3.0	3.0	5.0	6.5	6.5	6.0	6.0	6.0
Surface Water	4.0	4.0	4.0	4.0	4.0	4.0	4.5	4.5	4.5	4.5
Recreation & Cultural Services										
Community Center	2.0	2.0	2.5	2.5	2.5	2.5	2.5	3.0	3.0	5.0
Total	81.0	81.0	85.5	87.5	90.5	94.3	107.0	108.0	108.0	108.0

*New division created in 2008.

Source: Prior years published budgets.



Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Dispatched events	14,520	15,175	16,923	12,486	12,614	12,943	12,505	12,755	12,511	12,999
Physical arrests	N/A	160	157	137	115	162	131	145	144	144
Infractions/citations	1,200	1,764	1,627	1,755	1,356	2,636	2,677	3,965	3,154	4,562
Case reports	2,898	2,551	2,533	2,280	2,418	2,497	2,221	2,122	2,361	2,361
Animal licenses	412	394	399	419	425	440	315	250	271	275
Fire										
Number of responses (EMT/Fire)	1,500	1,635	1,590	1,742	1,876	1,769	1,600	1,894	1,888	1,740
Fire safety inspections	680	467	510	469	510	530	509	600	600	610
Planning & Community Development										
Plan Reviews	150	177	207	253	192	214	208	159	130	150
Building permits issued	300	390	370	617	595	322	311	439	419	350
Site Inspections	4,580	4,400	4,370	4,500	4,750	2,400	2,300	1,750	655	450
Highways and streets										
Miles of Street Maintained	63	66	67	67	67	67	67	67	67	67
Potholes repaired	68	55	40	20	200	20	100	75	75	100
Parks										
Total Acreage	431	433	433	433	433	499	499	499	515	515
Recreation and Cultural Services*										
Recreation Programs Offered	N/A	N/A	N/A	N/A	N/A	N/A	50	194	182	240
City Sponsored Events	N/A	3	2	2	2	2	7	10	9	6
Surface Water										
ERU's Billed	12,630	13,000	13,200	13,280	13,280	13,300	13,350	13,426	13,426	13,541
General										
Licensed Businesses	800	945	1,003	1,117	1,205	1,316	1,334	1,381	1,480	1,605

* The Recreation and Cultural Services Department underwent a major transition in 2010, with the closing of the old Rosehill Community Center. The new Rosehill Community Center opened in February 2011.

N/A = Not Available



Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	9	9	9	9	9	10	11	11	11	10
Administrative Vehicles	2	2	2	2	2	2	2	2	2	2
Detective Vehicles	3	3	3	4	4	5	5	5	5	4
Crime Prevention Vehicles	0	0	0	0	0	0	1	1	1	1
Motorcycles	2	2	2	2	2	2	2	2	2	3
Other Vehicles	1	1	1	1	1	2	2	2	2	3
Fire/EMS										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Fire Engines	3	3	3	3	3	3	3	3	3	3
Aid units	3	3	3	3	3	3	3	3	3	3
Rescue/Utility Vehicle	2	2	2	2	2	2	2	2	2	1
Staff Vehicle	2	2	2	2	2	2	3	3	3	3
Highways and streets										
Streets (miles)	66	66	68	68	68	68	68	68	68	68
Traffic Signals	9	9	13	13	13	13	13	13	13	13
Snow Plows	4	4	4	4	5	5	5	5	5	5
Street Sweepers	0	0	0	0	0	1	1	1	1	1
Culture and Recreation										
Parks acreage	442	442	433	499	499	499	499	499	515	515
Parks	31	31	31	33	33	33	33	33	33	33
Community Centers	1	1	1	1	1	1	1	1	1	1
Surface Water										
Storm sewers (miles)	34	34	34	34	35	35	35	35	36	36

Source: Various city departments.

Note: No capital asset indicators are available for the general government function.