



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements Audit Report

# City of Bonney Lake

Pierce County

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

Published December 31, 2015

Report No. 1015888





## Washington State Auditor's Office

December 31, 2015

Mayor and City Council  
City of Bonney Lake  
Bonney Lake, Washington

### Report on Financial Statements

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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

**City of Bonney Lake  
Pierce County  
January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Bonney Lake  
Bonney Lake, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bonney Lake, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 16, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

December 16, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Bonney Lake Pierce County January 1, 2014 through December 31, 2014**

Mayor and City Council  
City of Bonney Lake  
Bonney Lake, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bonney Lake, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 9.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

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

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

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

## **Opinion**

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

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 17, budgetary comparison information on page 58 and the schedule of funding progress and schedule of employer contributions for post-employment benefits other than pensions on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

December 16, 2015



## **FINANCIAL SECTION**

**City of Bonney Lake  
Pierce County  
January 1, 2014 through December 31, 2014**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2014

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2014

Statement of Cash Flows – Proprietary Funds – 2014

Notes to Financial Statements – 2014

### **REQUIRED SUPPLEMENTARY INFORMATION**

General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget (GAAP Basis) and Actual – 2014

Schedule of Funding Progress and Schedule of Employer Contributions for LEOFF 1 –  
Retiree Medical Benefits – 2014

**City of Bonney Lake**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ending December 31, 2014**

As management of the City of Bonney Lake (the City), we offer this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

***Financial Highlights***

- As of December 31, 2014 total assets of the City exceeded its liabilities by \$145.9 million. Of this amount, \$39.7 million was reported as unrestricted net assets, amounts which are available for use to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$3.1 million.
- Capital assets increased approximately \$3.9 million, largely due to land acquisition, Water & Sewer infrastructure projects, funded with grant revenues & trust fund loans.
- The City's governmental funds reported combined ending fund balances of \$15.5 million.
- The General Fund reported an unassigned fund balance of \$2.7 million.

***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements for fiscal 2014, which have been prepared pursuant to Generally Accepted Accounting Principles (GAAP). Throughout this document we have included several spreadsheets that compare financial data for fiscal 2013 to fiscal 2014 in order to provide perspective for financial statement readers. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report also contains other required supplementary information (RSI) in addition to the basic financial statements.

***Government-wide financial statements***

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

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

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

Both the Statement of Net Position and the Statement of Activities differentiate the functions of general government from the functions of business-type activities. Governmental activities reflect the City's basic functions such as general government, public safety, transportation and streets, economic development, and culture and health & human services are primarily supported by taxes and

intergovernmental revenues. Business-type activities, primarily utilities, are intended to recover their costs through user fees and charges. The City's utilities include the water distribution system, the sewer collection and treatment system and the stormwater collection system.

The City has no separately identified component units and, accordingly, none are included in these financial statements.

### ***Fund financial statements***

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

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

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Construction Fund, Park Construction Fund and the General Government Fund which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The City adopts a biennial appropriated budget for all of its funds.

### ***Proprietary funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Stormwater Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and to provide insurance coverage for all funds and departments. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Stormwater Funds. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Data from the other two proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of *combining statements* elsewhere in this report. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

### ***Notes to the financial statements***

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

### ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* concerning the City's financial results. Combining and individual fund statements and schedules for the non-major governmental funds and the internal service funds can be found under this section.

### ***The City as a Whole***

The table below summarizes the City's Statement of Net Position for the year ending 2014.

			Governmental Activities		Business-type Acitivties		Total	
			2013	2014	2013	2014	2013	2014
ASSETS								
	Current and other assets		20,396,665	21,526,066	22,433,749	25,920,129	42,830,414	47,446,195
	Capital Assets net of Depreciation		48,718,206	47,840,273	87,813,310	87,415,719	136,531,516	135,255,992
	TOTAL ASSETS		69,114,871	69,366,339	110,247,059	113,335,848	179,361,930	182,702,187
LIABILITIES								
	Long-term liabilities		9,736,080	9,021,082	20,513,325	20,782,406	30,249,405	29,803,488
	Other Liabilities		2,562,653	2,178,608	3,763,279	4,782,817	6,325,932	6,961,425
	TOTAL LIABILITIES		12,298,733	11,199,690	24,276,604	25,565,223	36,575,337	36,764,913
NET POSITION								
	Invested in capital assets, net of related debt		39,386,621	38,996,422	64,482,745	63,627,995	103,869,366	102,624,417
	Restricted for debt		167,654	504,392	998,001	3,116,255	1,165,655	3,620,647
	Unrestricted		17,261,863	18,665,835	20,489,708	21,026,375	37,751,571	39,692,210
	TOTAL NET POSITION		56,816,138	58,166,649	85,970,454	87,770,625	142,786,592	145,937,274

The most significant portion of 2014 net position (70.32%) reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and intangible assets such as water rights and sewer capacity); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of *unrestricted net position* (\$39.7 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2014 the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The table below summarizes the City's Statement of Activities for fiscal 2014:

CONDENSED STATEMENT OF ACTIVITIES						
	Governmental Activities		Business Type Activities		Total	
	2013	2014	2013	2014	2013	2014
REVENUES						
Charges for goods and services	4,183,413	5,593,629	15,670,262	19,645,553	19,853,675	25,239,182
Operating Grants & Contributions	653,436	632,660			653,436	632,660
Capital Grants & Contributions	1,182,491	1,046,391	501,165	126,414	1,683,656	1,172,805
Taxes:						
Property	2,635,753	2,724,501	-	-	2,635,753	2,724,501
Sales	3,720,172	3,581,024	-	-	3,720,172	3,581,024
B&O	2,820,847	2,804,458	-	-	2,820,847	2,804,458
Excise	551	796,802			551	796,802
Utility & Other	644,574	94,120	-	-	644,574	94,120
Interest	59,674	25,177	89,133	22,013	148,807	47,190
Other	(704,594)	391,744	119,270	15,412	(585,324)	407,156
Total revenues	15,196,317	17,690,506	16,379,830	19,809,392	31,576,147	37,499,898
EXPENDITURES						
General government	4,896,754	4,984,070	-	-	4,896,754	4,984,070
Public safety	5,869,101	6,499,896	-	-	5,869,101	6,499,896
Utilities and environment	14,103	111,748	-	-	14,103	111,748
Transportation	1,745,818	1,067,342	-	-	1,745,818	1,067,342
Economic environment	1,654,985	1,459,293	-	-	1,654,985	1,459,293
Culture and recreation	412,809	992,636	-	-	412,809	992,636
Health and human services (Soc Svcs)	39,658	404,191	-	-	39,658	404,191
Interest on Debt	428,514	401,614	282,882	247,285	711,396	648,899
Water			6,392,834	6,519,607	6,392,834	6,519,607
Sewer		-	4,961,037	7,309,921	4,961,037	7,309,921
Storm		-	1,373,493	1,542,177	1,373,493	1,542,177
Total expenditures	15,061,742	15,920,790	13,010,246	15,618,990	28,071,988	31,539,780
Change in Net Position	134,575	1,769,716	3,369,584	4,190,402	3,504,159	5,960,118
Net Position Jan 1, 2014	56,681,563	56,815,734	82,400,725	85,970,453	139,082,288	142,786,187
Prior Period Adjustment	0	(418,535)	200,145	(2,390,230)	200,145	(2,808,765)
Net Position Dec 31, 2014	56,816,138	58,166,915	85,970,454	87,770,625	142,786,592	145,937,540

As illustrated in the total column, the most significant justification for the increase in business type activities is reflected in the revenue line item titled "charges for service." This category includes plan check and review fees as well as inspection fees, which are all associated with building and construction activities within our community and thus may be construed as an economic indicator that the slowdown in

construction activity may be waning. Further monitoring and analysis are required to substantiate this conclusion, however. The total Change in Net Position is \$3,150,948.

Fluctuations in the category “Operating Grants and Contributions” are normal as these revenues are derived mainly from Federal Agencies, the State of Washington and other local governmental entities in the form of grant funding. Economical and/or financial impacts within the city’s varying granting agencies tends to have a trickle-down effect to the City of Bonney Lake in the form of less grant opportunities available.

### ***Significant Transactions and Changes in Individual Funds***

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

### ***Governmental Activities***

The focus of the City’s *governmental funds* are to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

This year we have experienced a \$1.7 million dollar increase in Net Position. This is significant compared to a mere \$134,171 increase in 2013. Governmental Activities account for 40% of the City’s Net Position.

Key Elements of the 2014 changes are as follows:

- Total assets from Governmental Activities increased by \$251,467. Cash & Cash Equivalents increased by \$2,964,041 from 2013 to 2014 while receivables decreased by \$1,333,948. This results in additional Cash on hand to support current expenses.
- Total liabilities from Governmental Activities decreased by \$1,099,043. The majority of the decrease is due to reduction in Long-Term Debt.
- Total Revenues increased by \$2,494,189. This increase is mainly related to Charges for Services, including permitting/Building fees which are increasing with the growth in the housing market and overall strengthening of the economy. Our culture & recreational revenues have also seen a strong increase.
- Total expenditures increased by \$858,910, as we increased our Capital significantly & kept a hold on operational spending to help keep the overall expenditures at bay.

The General Fund is the main operating fund of the city and at the end of the fiscal 2014, unassigned fund balance of the General Fund was \$2.66 million. For the past several years the top five categories of revenue collected within the general fund have been Sales Tax, Property Tax, Building Permits, Utility Tax, and Fines and Forfeitures. We fully expect this trend to continue well into the future.

### ***General Fund Budgetary Highlights***

The City follows very conservative management practices that continue to guide our budgetary outlook. Revenue and expenditure activity is monitored frequently throughout the year in order to anticipate and respond to near and long term economic conditions.

The City adopted an original 2013 – 2014 biennial budget containing revenues and transfers in of \$85 million. The biennial document also included budget for expenditures and transfers out of \$93.9 million. Pursuant to RCW, the city reviews revenues and expenditures at the conclusion of the first year of the biennium and adjusts the biennial budget as necessary. This mid-biennial review is mainly to take a realistic budgetary look at projects underway and/or projects that may have experienced delays, for whatever reason. As revenues did not come in as expected, the City's final budget for revenues and transfers in was reduced to \$ 74.4 million; and, the City's final budget for expenditures and transfers out was reduced to \$73.3 million. The ordinance adopting the original biennial budget contains a spreadsheet appendix that illustrates, by fund, appropriated total expenditures, revenues and any other financing uses and/or sources.

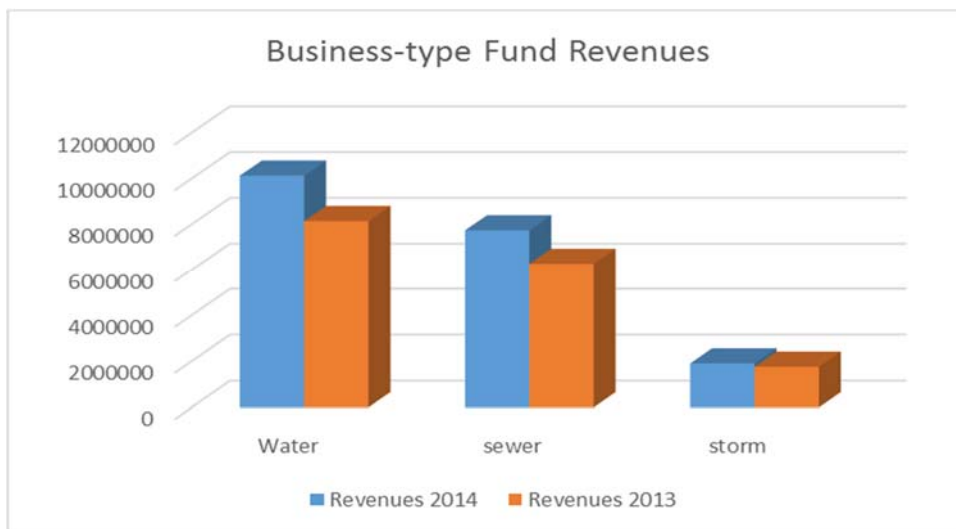
### ***Business Type Activities***

The total net position increased by \$4,190,402. Business –type activities accounts for 60% of the Cities net position.

Key Elements of the 2014 changes are as follows:

- Investment in capital assets increased by \$2,770,403 between 2013 and 2014 which can be attributed to significant increases in infrastructure construction projects.
- Revenues increased by \$3,429,562.
- Cash & cash equivalents increased by \$2,836,581, as well as an increase in liabilities of \$1,288,619. This is mostly due to an increased outstanding payables balance at year end.

The charts below show the changes in Expenses & Revenues from 2013 to 2014 in the three major Business Type funds:



## Capital Assets

The following table summarizes the City's capital asset balances at December 31, 2014:

	Governmental Activities		Business Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	13,744,357	13,744,357	1,725,671	2,673,369	15,470,028	16,417,726
Construction in Progress	7,537,572	2,332,981	3,142,442	3,851,166	10,680,014	6,184,147
Total capital assets not depreciated	21,281,929	16,077,338	4,868,113	6,524,535	26,150,042	22,601,873
Capital assets, being depreciated						
Buildings	7,479,401	6,964,888	7,149,831	6,992,938	14,629,232	13,957,826
Leasehold Improvements			14,323,725	13,838,175	14,323,725	13,838,175
Improvements	7,877,788	13,463,484	48,505,446	47,635,390	56,383,234	61,098,874
Machinery & Equipment	567,433	628,230	17,938	13,708	585,371	641,938
Rolling Stock	2,334,416	2,021,592			2,334,416	2,021,592
Infrastructure	9,177,189	8,684,743			9,177,189	8,684,743
Intangible Asset			12,948,258	12,410,972	12,948,258	12,410,972
Total capital Assets being depreciated	27,436,227	31,762,937	82,945,198	80,891,183	110,381,425	112,654,120
TOTAL	48,718,156	47,840,275	87,813,311	87,415,718	136,531,467	135,255,993

Changes occurred in several asset categories as a result of normal operating activity; and, appropriately valuing and recording infrastructure assets. The City has many construction projects underway and, accordingly, the above table reflects this activity.

The City continues to pursue grant opportunities to enhance our infrastructure, major programs and capital improvement plans.

Additional information on the City's capital assets can be found in Note 4 & 5.

## Debt Administration

The City's debt liabilities in both governmental and business-type activities decreased during the fiscal year due to regularly scheduled debt service payments.

Additional information on the City's long-term debt can be found in Note 6 and 8.

## Economic Factors and Other Information

The City of Bonney Lake is considered, at a regional level, as a balanced community with a residential character that conserves natural amenities while supporting a diverse mix of economic activities. The City promotes a safe, attractive and healthful living environment for residents to participate in various physical, educational, economic and social activities. The city's tax base remains sufficient to provide a high level of accountable, accessible and efficient local government services. The City is an active participant in interlocal as well as regional services and planning organizations.

## Regional

Strategically located in the easterly region of Pierce County, the City of Bonney Lake provides unparalleled opportunities generally associated with a more rural setting. Bonney Lake is a mere 20 minute commute to the City of Tacoma, which is the second largest city within the state. Seattle, the largest city in our state, is located within an approximate 40 minute commute northbound. This attractive proximity allows our residents the affordability and density of a suburb yet the relative close amenities such as arts and



entertainment in addition to job opportunities more frequently associated with a major City.

The City enjoys close proximity to major employment centers, including Joint Base Lewis-McCord, Multi-Care Health System (including Good Samaritan Hospital), Franciscan Health Center, the Port of Tacoma, and the Seattle-Tacoma International Airport. Further information on these centers can be found at the Tacoma-Pierce County Chamber of Commerce website at [www.tacomachamber.org](http://www.tacomachamber.org).

### **Local**

The economy continues to dominate local official's current outlook as changing conditions influence the city's overall fiscal picture. As an example: when consumer confidence is moderate to high, people tend to expend more on goods and services; and, as a result city governments reap the benefit through increased sales tax collections. The struggling economy, however, and the declining real estate market have reduced consumer confidence resulting in less consumer spending ultimately leading to declining sales tax revenues.

For the first few years of the current decade consumer spending was also fueled by a strong real estate market that in turn provided robust revenues through local property taxes. Property tax revenues are driven primarily by the value of residential and commercial property, with property tax bills determined by an assessment of the value of property. Pursuant to the Pierce County Assessor-Treasurer, current property values continue to decline county wide. As a result, property tax revenues will continue to dwindle until local assessments catch up with changes in the real estate market.

With national economic indicators pointing to continued struggles for the near term, the city continues a very conservative approach to budgeting and forecasting. We have predicted little growth in major sources of revenues and conversely have estimated expenditures, very conservatively as well. We have acknowledged that the economy will not rebound to pre-recession levels quickly, thus continued financial vigilance is imperative for future sustainability.

As part of our overall review of fiscal policies, management and executive teams have committed to nurture economic growth in order to sustain the current health of the community as well as strategically positioning ourselves into the future. In order to accomplish this initiative city leaders have developed a strategic plan that looks back upon the past decade where fund balances have grown due to robust economic conditions. These decades of historically high fund balances have provided a "cushion" in anticipation of unpredictable events such as natural disasters and economic downturns. In much the same fashion as a personal savings account, fund balances have been built up deliberately to set aside funds for planned events such as future capital projects.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's financial accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department; City of Bonney Lake, 9002 Main Street East, P.O. Box 7380, Bonney Lake, WA 98391-0944. Personal inquiries may be directed to Terrina Marchant, Accountant, at (253) 447-4315, [marchantt@ci.bonney-lake.wa.us](mailto:marchantt@ci.bonney-lake.wa.us) or Cherie Gibson, Chief Financial Officer, at (253) 447-4314, [gibsonc@ci.bonney-lake.wa.us](mailto:gibsonc@ci.bonney-lake.wa.us).

**City of Bonney Lake  
Statement of Net Position  
December 31, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,650,295	\$ 23,706,499	\$ 43,356,794
Investments	-	-	-
Receivables	1,843,054	1,028,598	2,871,652
Due from other governments	393,747	-	393,747
Inventories	-	311,252	311,252
Internal Balances	(400,291)	400,290	(1)
Prepaid items	2,828	467,904	470,732
Restricted assets:			
Cash and cash equivalents	22,308	3,312	25,620
Deposits	14,125	2,274	16,399
Capital Assets:			
Non-depreciable	16,077,337	6,524,536	22,601,873
Depreciable (net)	31,762,936	80,891,183	112,654,119
Total assets	<u>69,366,339</u>	<u>113,335,848</u>	<u>182,702,187</u>
<b>LIABILITIES</b>			
Accounts payable	830,511	1,467,288	2,297,799
Contracts payable	74,033	-	74,033
Due to other governments	36,327	86	36,413
Deposits	-	(286,082)	(286,082)
Accrued Interest payable	-	-	-
Other liabilities	667,132	485,270	1,152,402
Unearned revenue	65,947	-	65,947
Long term debts			
Due within one year	504,392	3,116,255	3,620,647
Due in more than one year	9,021,083	20,782,406	29,803,489
Total liabilities	<u>11,199,425</u>	<u>25,565,223</u>	<u>36,764,648</u>
<b>NET POSITION</b>			
Net investment in capital assets	38,996,422	63,627,995	102,624,417
Restricted for Debt service	504,392	3,116,255	3,620,647
Unrestricted	18,666,101	21,026,375	39,692,476
Total Net Position	<u>\$ 58,166,915</u>	<u>\$ 87,770,625</u>	<u>\$ 145,937,540</u>

The notes are an integral part of the financial statements.

**City of Bonney Lake  
Statement of Activities  
For the Year Ended December 31, 2014**

Functions/Programs	Program Revenues					Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>								
General government	\$ 4,984,070	\$ 3,499,213	\$ 632,660	\$ -		(852,197)	\$ -	(852,197)
Public safety	6,499,896	544,664				(5,955,232)	-	(5,955,232)
Physical environment	111,748					(111,748)	-	(111,748)
Transportation	1,067,342	470,174		1,046,391		449,223	-	449,223
Health and human services	404,191					(404,191)	-	(404,191)
Economic environment	1,459,293					(1,459,293)	-	(1,459,293)
Culture and recreation	992,636	1,079,578				86,942	-	86,942
Interest on long term debt	401,614					(401,614)	-	(401,614)
Total governmental activities	15,920,790	5,593,629	632,660	1,046,391		(8,648,110)	-	(8,648,110)
<b>Business-type Activities:</b>								
Water	6,694,765	10,129,202	-	-		-	3,434,437	3,434,437
Sewer	7,382,048	7,739,347	-	-		-	357,299	357,299
Stormwater	1,542,177	1,771,004	-	126,414		-	361,241	361,241
Total business-type activities	15,618,990	19,645,553	-	126,414		-	4,152,977	4,152,977
<b>Total government</b>	<b>\$ 31,539,780</b>	<b>\$ 25,239,182</b>	<b>\$ 632,660</b>	<b>\$ 1,172,805</b>		<b>\$ (8,648,110)</b>	<b>\$ 4,152,977</b>	<b>\$ (4,495,133)</b>
<b>General Revenues:</b>								
Taxes:								
Property taxes						2,724,501	-	2,724,501
Sales taxes						3,581,024	-	3,581,024
B&O taxes						2,804,458	-	2,804,458
Excise taxes						796,802	-	796,802
Utility and other taxes						94,120	-	94,120
Investment earnings						25,177	22,013	47,190
Miscellaneous revenues						574,258	15,412	589,670
Special Item - Gain (loss) on sale of capital asset						17,631		17,631
Special Item - Interfund loan						(200,145)		(200,145)
Total general revenues						10,417,826	37,425	10,455,251
Change in net position						1,769,716	4,190,402	5,960,118
Net position-beginning						56,815,734	85,970,453	142,786,187
Prior period adjustment						(418,535)	(2,390,230)	(2,808,765)
Net position-ending						\$ 58,166,915	\$ 87,770,625	\$ 145,937,540

The notes are an integral part of the financial statements.

**City of Bonney Lake  
Balance Sheet  
Governmental Funds  
December 31, 2014**

	001	301	302	320	120	TOTAL
	GENERAL FUND	STREET CONSTRUCTION FUND	PARK CONSTRUCTION FUND	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and cash equivalents	3,586,271	4,392,208	3,486,705	4,527,145	45,011	16,037,340
Receivables	618,199	411,134	16,124	6,910		1,052,367
Due from other governments	358,017	35,730	0	0		393,747
Prepaid items	2,828	0	0	0		2,828
<b>Restricted assets:</b>						
Cash	22,308	0				22,308
Deposits	12,000	0	0	2,125		14,125
<b>Total assets</b>	<b>4,599,623</b>	<b>4,839,072</b>	<b>3,502,829</b>	<b>4,536,180</b>	<b>45,011</b>	<b>17,522,715</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	672,841	101,597	1,814	13,907		790,159
Contracts payable		74,033	0	0		74,033
Due to other governments	36,327	0	0	0		36,327
Restricted Deposits payable	0	0	0	0		0
Interfund loan payable		0	400,291	0		400,291
Unearned revenues	45,426	20,521	0	0		65,947
Other liabilities	640,110	12,207	0	2,375		654,692
<b>Total liabilities</b>	<b>1,394,704</b>	<b>208,358</b>	<b>402,105</b>	<b>16,282</b>	<b>0</b>	<b>2,021,449</b>
<b>Fund balances:</b>						
Restricted	538,700	0		0		538,700
Committed	1,475	0	200,145	0	45,011	246,631
Assigned	0	4,630,714	2,900,579	4,519,898		12,051,191
Unassigned	2,664,744	0	0	0		2,664,744
<b>Total fund balances</b>	<b>3,204,919</b>	<b>4,630,714</b>	<b>3,100,724</b>	<b>4,519,898</b>	<b>45,011</b>	<b>15,501,266</b>
<b>Total liabilities and fund balances</b>	<b>4,599,623</b>	<b>4,839,072</b>	<b>3,502,829</b>	<b>4,536,180</b>	<b>45,011</b>	

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

Receivables for fines and foreitures and the related allowance for uncollectable accounts are not current financial resources and therefore not reported in the funds.	790,687
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	47,840,273
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	(9,523,255)
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Internal service funds are used by management to charge the costs of insurance and equipment rental and replacement equipment rental and replacement services to individual funds. Total assets and liabilities of the internal service funds that are reported with governmental activities, net of amounts reported above.	3,557,677
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Net position of governmental activities	58,166,648
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The notes are an integral part of the financial statements.

**City of Bonney Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	001	301	302	320	120	TOTAL
	GENERAL FUND	STREET CONSTRUCTION FUND	PARK CONSTRUCTION FUND	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Taxes						
Property	2,724,501	0	0	0	0	2,724,501
Sales	3,581,024	0	0	0	0	3,581,024
B&O	2,804,458	0	0	0	0	2,804,458
Excise	26,267	380,597	269,687	120,251	0	796,802
Other	94,120	0	0	0	0	94,120
Licenses and permits	1,145,272	0	0	0	0	1,145,272
Intergovernmental	632,660	1,046,391		0	0	1,679,051
Charges for goods and services	2,353,941	470,174	1,079,578	0	0	3,903,693
Fines and forfeitures	524,512	0	0	0	20,152	544,664
Miscellaneous:			0			
Interest	13,670	3,985	3,048	4,434	40	25,177
Other	474,397	1,430	0	98,431	0	574,258
Total revenues	14,374,822	1,902,577	1,352,313	223,116	20,192	17,873,020
<b>EXPENDITURES</b>						
Current:				0	0	
General government	4,633,597	0	0	0	0	4,633,597
Public safety	5,825,385	0	0	0	0	5,825,385
Utilities and environment	100,343	0	0	0	0	100,343
Transportation	956,553	0	0	0	0	956,553
Economic environment	1,307,772	0	0	0	0	1,307,772
Culture and recreation	889,993	0	0	0	0	889,993
Health and human services (Soc Svs)	361,830	0	0	0	0	361,830
Capital outlay	53,594	1,033,524	111,342	28,605	0	1,227,065
Debt service:						
Principal retirement	295,000	0	0	4,138	0	299,138
Interest	405,115	0	637	(4,138)	0	401,614
Total expenditures	14,829,182	1,033,524	111,979	28,605	0	16,003,290
Excess (deficiency) of revenues over expenditures	(454,360)	869,053	1,240,334	194,511	20,192	1,869,730
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	1,112,884	0	0		0	1,112,884
Transfers Out	(1,112,884)	0	0	0	0	(1,112,884)
Sale of Land	0	0	0	0	0	0
Contributions from property owners	0	0	0	0	0	0
Total other financing sources and uses	0	0	0	0	0	0
Net Change in fund balances	(454,360)	869,053	1,240,334	194,511	20,192	1,869,730
Fund balances-beginning	3,755,576	4,573,115	1,371,174	4,325,388	24,819	14,050,072
Prior Period Adjustment	(96,297)	(811,454)	489,216			(418,535)
Fund balances-ending	3,204,919	4,630,714	3,100,724	4,519,899	45,011	15,501,267

The notes are an integral part of the financial statements.

**City of Bonney Lake**  
**Reconciliation of The Statement of Revenue, Expenditures,**  
**And Changes In Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For The Year Ended December 31, 2014**

Net changes in fund balances - total governmental funds \$ 1,869,730

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 as depreciation expense. Amounts related to capital assets are:

Capital outlay	1,227,065	
Depreciation expense	<u>(1,629,253)</u>	(402,188)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount of the net effect of these differences in the treatment of long-term debt and related items.

Principal and other debt service costs retired	299,138
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Net of Internal Service Fund Activity	185,551
Gain on sale of Capital Asset	17,631
Interfund Loan	(200,145)
Net result related to the diminution of under-utilized fund activity	-

Change in net position of governmental activities	<u><u>\$ 1,769,717</u></u>
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*The notes are an integral part of the financial statements.*

**City of Bonney Lake  
Statement of Net Position  
Proprietary Funds  
December 31, 2014**

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	401 Water	402 Sewer	415 Stormwater	Total Proprietary Funds	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	14,542,227	7,201,984	1,962,288	23,706,499	3,612,955
Investments	0	0	0	0	0
Receivables	33,510	861,131	132,686	1,027,327	0
Due from other governmental units	0	0	0	0	0
Prepaid Items	467,904	0	0	467,904	0
Deposits	2,274	0	0	2,274	0
Interfund loan receivable	0	200,145	0	200,145	0
Inventories	80,465	230,787	0	311,252	0
Restricted assets:					
Cash and cash equivalents	2,042	1,270	0	3,312	0
Total current assets:	<u>15,128,422</u>	<u>8,495,317</u>	<u>2,094,974</u>	<u>25,718,713</u>	<u>3,612,955</u>
Noncurrent assets:					
Interfund loan receivable	0	200,145	0	200,145	0
Noncurrent - deposits			0	0	0
Noncurrent receivable	0	1,271	0	1,271	0
Capital assets:					
Land	1,841,124	690,091	142,155	2,673,370	0
Construction in progress	1,059,212	2,761,655	30,299	3,851,166	0
Buildings	5,201,956	3,589,746	9,683	8,801,385	0
Leasehold improvements	0	19,422,000	0	19,422,000	0
Improvements other than buildings	51,539,000	5,254,840	7,819,975	64,613,815	0
Machinery and equipment	49,947	814,364	3,279	867,590	5,792,344
Intangible asset	9,244,346	16,265,188	172,222	25,681,756	0
Accumulated depreciation	<u>(19,472,103)</u>	<u>(16,528,862)</u>	<u>(2,494,398)</u>	<u>(38,495,363)</u>	<u>(3,770,749)</u>
Total noncurrent assets:	<u>49,463,482</u>	<u>32,470,438</u>	<u>5,683,215</u>	<u>87,617,135</u>	<u>2,021,595</u>
Total assets	<u>64,591,904</u>	<u>40,965,755</u>	<u>7,778,189</u>	<u>113,335,848</u>	<u>5,634,550</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	662,763	779,305	25,220	1,467,288	40,618
Due to other governments	86	0	0	86	0
Deposits	2,999	0	0	2,999	0
Accrued Interest Payable	0	0	0	0	0
Current portion of long-term debt	2,244,593	871,662	0	3,116,255	0
Other Liabilities	223,893	226,822	34,555	485,270	12,440
Total current liabilities:	<u>3,134,334</u>	<u>1,877,789</u>	<u>59,775</u>	<u>5,071,898</u>	<u>53,058</u>
Non current liabilities:					
Compensated absences	61,581	50,474	0	112,055	2,220
Revenue bonds payable	1,484,200	325,800	0	1,810,000	0
Public Works Trust Fund payable	8,828,232	8,858,451	0	17,686,683	0
Deposits - Noncurrent	<u>(295,338)</u>	5,139	1,118	<u>(289,081)</u>	0
Contract payable for purchase of water rights	1,173,668	0	0	1,173,668	0
Total Non current liabilities:	<u>11,252,343</u>	<u>9,239,864</u>	<u>1,118</u>	<u>20,493,325</u>	<u>2,220</u>
Total liabilities	<u>14,386,677</u>	<u>11,117,653</u>	<u>60,893</u>	<u>25,565,223</u>	<u>55,278</u>
<b>NET POSITION</b>					
Net investment in capital assets	35,732,789	22,213,109	5,682,097	63,627,995	2,021,595
Restricted for debt service	0	0	0	0	0
Restricted for replacement	0	0	0	0	0
Restricted for insurance	0	0	0	0	45,482
Unrestricted	<u>14,472,438</u>	<u>7,634,993</u>	<u>2,035,199</u>	<u>24,142,630</u>	<u>3,512,195</u>
Total net position	<u>50,205,227</u>	<u>29,848,102</u>	<u>7,717,296</u>	<u>87,770,625</u>	<u>5,579,272</u>

The notes are an integral part of the financial statements.

**City of Bonney Lake**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	Business-type Activities - Enterprise Funds			Total Proprietary Funds	Gov. Activities Internal Service Funds
	401 Water	402 Sewer	415 Stormwater		
Operating revenues:					
Charges for goods and services	\$ 10,129,202	\$ 7,739,347	1,777,004	19,645,553	\$ 1,527,655
Total operating revenues	10,129,202	7,739,347	1,777,004	19,645,553	1,527,655
Operating expenses:					
Cost of Sales	3,287,471	4,965,518	1,157,765	\$ 9,410,754	695,617
Administrative	674,003	493,477	221,056	1,388,536	96,293
Insurance	-	-	-	-	447,296
Taxes	900,009	515,927	-	1,415,936	-
Depreciation	1,658,124	1,334,999	163,356	3,156,479	514,180
Total operating expenses	6,519,607	7,309,921	1,542,177	15,371,705	1,753,386
Operating income (loss)	3,609,595	429,426	234,827	4,273,848	(225,731)
Nonoperating revenues (expenses):					
Gain / (Loss) on retirement of assets	-	-	-	-	17,631
Investment earnings	13,859	6,551	1,603	22,013	3,462
Miscellaneous revenue	15,498	526	(612)	15,412	4,247
Grant income	-	-	126,414	126,414	-
Interest and other debt service cost	(175,158)	(72,127)	-	(247,285)	-
Total non operating revenue	(145,801)	(65,050)	127,405	(83,446)	25,340
Income (loss) before contributions and transfers	3,463,794	364,376	362,232	4,190,402	(200,391)
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	-	14,840
Transfers out	-	-	-	-	-
Change in net position	3,463,794	364,376	362,232	4,190,402	(185,551)
Net position-beginning	48,079,434	30,451,330	7,439,689	85,970,453	5,764,823
Prior period adjustment	(1,338,001)	(967,604)	(84,625)	(2,390,230)	-
Net position-ending	\$ 50,205,227	\$ 29,848,102	\$ 7,717,296	87,770,625	\$ 5,579,272

The notes are an integral part of the financial statements.



**City of Bonney Lake**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2014**

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	WATER	SEWER	STORM	TOTAL	
Cash flows from operating activities:					
Receipts from customers and users	\$ 10,119,911	\$ 6,988,842	\$ 1,663,101	\$ 18,771,854	\$ 1,527,655
Payments for taxes	(900,009)	(514,989)	-	(1,414,998)	-
Payments to employees	(644,634)	(492,448)	(221,961)	(1,359,043)	(98,402)
Payments for goods and services	(3,113,401)	(4,436,928)	(1,149,106)	(8,699,435)	(1,136,699)
Net cash provided (used) by operating activities	5,461,867	1,544,477	292,034	7,298,378	292,554
Cash flows from noncapital financing activities:					
Grants and contributions	-	-	126,414	126,414	-
Interfund loan payments	-	200,145	-	200,145	-
Nonoperating miscellaneous revenue	-	-	-	-	-
Net cash provided (used) by Noncapital financing	-	200,145	126,414	326,559	-
Cash flows from capital and related financing activities:					
Proceeds from capital debt	-	1,700,825	-	1,700,825	-
Debt principal payments	(2,530,215)	(830,684)	-	(3,360,899)	-
Interest paid on debt	(175,158)	(72,127)	-	(247,285)	-
Proceeds from sales of equipment or vehicles	-	-	-	-	21,878
Payment for capital acquisitions	(1,337,628)	(1,335,475)	(170,410)	(2,843,513)	(186,342)
Net cash provided (used) by capital and related financing activities	(4,043,001)	(537,461)	(170,410)	(4,750,872)	(164,464)
Cash flows from investing activities:					
Interest income	13,859	6,551	1,603	22,013	3,462
Other	-	-	-	-	-
Net cash provided (used) by investing activities	13,859	6,551	1,603	22,013	3,462
Net Increase (decrease) in cash and cash equivalents	1,432,725	1,213,712	249,641	2,896,078	131,552
Cash and cash equivalents, beginning of year	13,121,394	6,037,134	1,714,435	20,872,963	3,481,403
Cash and cash equivalents, end of the year	\$ 14,554,119	\$ 7,250,846	\$ 1,964,076	\$ 23,769,041	\$ 3,612,955
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 3,609,595	\$ 429,426	\$ 234,827	4,273,848	\$ (225,731)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,658,124	1,334,999	163,356	3,156,479	514,180
Changes in assets and liabilities:					
(Increase) decrease in customer accounts receivable	(5,645)	(750,441)	(113,903)	(869,989)	-
(Increase) decrease in prepaids	(467,904)	-	-	(467,904)	-
(Increase) decrease in inventory	-	-	-	-	-
Increase (decrease) in accounts payable	641,974	528,590	8,659	1,179,223	6,214
Increase (decrease) in deposits	(3,105)	-	-	(3,105)	-
Increase (decrease) in payroll payable	29,369	1,029	(905)	29,493	-
Increase (decrease) in compensated absences	(627)	1,812	-	1,185	(2,109)
Increase (decrease) in due to other governments	86	(938)	-	(852)	-
Net cash provided by operating activities	5,461,867	1,544,477	292,034	7,298,378	\$ 292,554

The notes are an integral part of the financial statements.

**City of Bonney Lake, Washington  
Notes to the Financial Statements  
For the Year Ended December 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Bonney Lake 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 accounting and reporting policies of the City of Bonney Lake conform to the Generally Accepted Accounting Principles for governments, and are regulated by the Washington State Auditor's Office (SAO). The significant accounting policies are described below.

**A. Reporting Entity**

The City of Bonney Lake, organized as a non-chartered code city, was incorporated in 1949 utilizing the Mayor/Council form of government. The City's legislative authority, the City Council, consists of a Mayor and seven Councilmembers who are elected to overlapping four-year terms of office. The Council is responsible for assuring citizen representation through policy discretion and adoption of local codes and legislation.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is to allocate indirect costs to a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds' financial statements.

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

The government-wide financial statements are reported focusing on the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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 measureable 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 collected within 60 days of the end of the current fiscal period. The City considers property taxes available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measureable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund has a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses. The City's resources are allocated to and accounted for in separate funds based upon the purposes for which resources are to be spent and the means by which spending activities are controlled.

The City of Bonney Lake reports the following major governmental funds:

- The General Fund is the City's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Street CIP Fund is used for capital purposes such as roads, streets, sidewalks and street lights.
- The Park CIP Fund is used for capital improvements that are park related.
- The General Government CIP Fund is used for all other general capital purposes.

The City reports the following major proprietary funds:

- The Water Fund accounts for activities of water distribution for the City. The City operates its own water distribution system.
- The Sewer Fund accounts for the sewer collection activities for the City. The City operates its own sewage pumping stations and collections systems, and has a capacity agreement with the City of Sumner, who operates the wastewater treatment plant.
- The Stormwater Fund accounts for the activities of stormwater treatment and disposal.

Additionally, the City of Bonney Lake reports the following fund types:

Internal Service Funds account for fleet management services provided to other departments of the government on a cost-reimbursement basis.

As a general rule, the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers 2) operating grants & contributions and 3) capital grants & contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

#### **D. Budgetary Information**

##### Scope of budget

Biennial appropriated budgets are adopted for the general, some special revenue and debt service funds on the modified accrual basis of accounting. Proprietary and fiduciary funds are budgeted for management purposes only. National Council on Government Accounting Statement No. 1 does not require and the financial statements do not present, budgetary comparisons for proprietary or fiduciary fund types.

The biennial appropriated budgets are adopted at the fund level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Any unexpended appropriation balances lapse at the end of the biennium.

The City's budget procedures are mandated by RCW 35A.34. On or before November 1, on even numbered years, the Mayor submits the proposed budget to the Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months and balanced with revenue estimates made by the Administration. Council conducts public hearings on the proposed budget. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders, contracts, etc.) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be appropriated and honored during the subsequent year.

##### Amending the Budget

The City Administrator, CFO, and Mayor are authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, hours or other conditions

of employment must be approved by the City Council. The City Council may determine that it is in the best interest of the City to increase or decrease the appropriation for a particular fund. It must do so by resolution or ordinance approved by one more than the majority after holding public hearings.

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

#### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, Fund Balance, Net Position**

##### **1. Cash and Cash Equivalents**

It is the City's policy to invest all temporary cash surpluses. At December 31, 2014, the City was holding \$34,306,078 as cash and cash equivalents. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

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

##### **2. Investments**

Investments are valued at fair market value. See additional information in Note 3.

##### **3. Receivables**

Taxes receivable consist of property taxes and related interest and penalties. Accrued interest receivable consists of amounts earned on investments, notes and contracts and the end of the year.

Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statement consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2014, \$3,178 of special assessments receivable were delinquent.

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

##### **4. Amounts Due to and From Other Funds, Governments and Interfund Loans**

Activities between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "loans receivable/loans payable". All other outstanding balances between funds are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". See additional information in Note 6.

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

5. Inventories

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. The reserve for inventory is equal to the ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures. A comparison to market value is not considered necessary.

Inventories in proprietary funds are valued by the LIFO method, which approximates the market value.

6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt services, including current and delinquent special assessments receivable, in enterprise funds. The current portion of related liabilities is shown as Payables from Current Restricted Assets. Specific debt service reserve requirements are described in Note 6, Long-Term Debt.

7. Capital Assets (See Note 4)

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 activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual purchase price of \$5,000 or greater and an estimated useful life in excess of two years, or for infrastructure assets, with an initial purchase price of \$50,000 or more and a useful life of greater than 20 years. Such assets are recorded at historical cost or estimated historical cost if purchased and 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 of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the fiscal year was \$426,134. Of this amount, \$413,944 was included as part of the cost of capital assets under construction in connection with projects.

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

Asset Type	Years
Office furniture	10
Computer equipment	4 - 5
Vehicles	5 - 7
Machinery and Equipment	5 – 50
Other improvements	30 - 40
Buildings and structures	45 - 50

For assets acquired in and subsequent to 2007, no depreciation is taken in the year of acquisition; rather, a full year of depreciation is taken in the year subsequent to acquisition and each year thereafter. Upon disposition, a full year of depreciation is taken in the year of disposition.

For assets acquired in the year 2006 and prior, depreciation is calculated according to the month of acquisition. For example, assets acquired in April in year 2006 or prior were calculated with eight months of depreciation in the first year. Subsequent years are calculated with a full twelve months of depreciation. Similarly, upon disposition, depreciation is calculated based upon the month of disposition.

#### 8. Compensated Absences

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

Vacation pay, which may be accumulated up to a maximum of 240 hours or 30 days, is payable upon resignation, retirement or death.

In accordance with the provisions of GASB No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken upon termination. Sick leave may accumulate up to a maximum of 960 hours. After 5 years of employment, 25% of accumulated sick leave up to a maximum of 720 hours is payable upon resignation or layoff. Upon retirement, or death, 100% of accumulated sick leave up to a maximum of 720 hours is payable.

#### 9. Other accrued liabilities

These accounts consist of accrued wages and accrued employee benefits.

#### 10. Long-Term Obligations

See Note 6, Long-Term Debt

#### 11. Unearned Revenues

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

**12. Fund Balance Classification**

The City reports the following fund balance classification policies and procedures:

- a) *Nonspendable*- amounts that cannot be spent either because they are nonspendable in form or because they are legally or contractually required to be maintained intact.
- b) *Restricted*- amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.
- c) *Committed*- amounts that can be used only for the specific purposes determined by formal action of the City Council. Commitments may be changed or lifted by referring to the formal action that imposed the constraint originally.
- d) *Assigned*- amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes.
- e) *Unassigned*- includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

2014 Fund Balance Classification						
		General Fund	Street Construction Fund	Park Construction Fund	General Construction Fund	Other Governmental Funds
<b>Nonspendable</b>		0	0	0	0	0
	Long-Term portion of loans receivable					
	Non-financials assets held for resale					
<b>Restricted</b>						
	Street Construction Fund					
	Park Construction fund					
	General Gov Construction Fund					
	Drug Investigation Fund					
	Restr Cash- Infrastructure Deposits	12,000				
	Restr Cash - Due to Other Units	22,308				
	Future Debt Payments					
	2008 Justice Center	305,000				
	Motorola 800 MHz	199,392				
	Interfund Loan					
<b>Committed</b>						
	Petty Cash	1,475				
	Interfund Loan			200,145		
	Drug Investigation Fund					45,011
<b>Assigned</b>						
			4,630,714	2,900,579	4,519,898	
<b>Unassigned</b>						
		2,664,744				
<b>Total Fund Balance</b>		<b>3,204,919</b>	<b>4,630,714</b>	<b>3,100,724</b>	<b>4,519,898</b>	<b>45,011</b>



**NOTE 2 – PROPERTY TAXES**

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

<b>Property Tax Calendar</b>	
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.

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The city may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. The City's regular levy for 2014 was \$1.5316 per \$1,000 of assessed valuation of \$1,777,220,232 for a total regular levy of \$2,722,006.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

**NOTE 3 – DEPOSITS AND INVESTMENTS****A. Deposits**

*Deposit custodial credit risk* is the risk that in the event of a bank failure, the City may not be able to recover deposits or collateral securities that are in the possession of an outside party. The City's bank balance is insured by the Federal Deposit Insurance Commission (FDIC) which insures the first \$250,000. The Washington Public Deposit Protection Commission (WPDPC) insures amounts over \$250,000. The WPDPC is a multiple financial institution collateral pool established by state statute to protect public funds against loss.

The City does not have a formal policy for custodial risk beyond the requirements of the State statute. State law restricts deposit of funds in financial institutions physically located in Washington unless expressly permitted by statute and authorized by the WPDPC.

As of December 31, 2014, the City's total deposits and cash equivalents, including investment in the Local Government Investment Pool, consist of the following:

Operating Accounts	\$ 8,670,349
Local Government Investment Pool	\$34,306,078

**B. Investments**

During 2014, the City had its entire investment in the Local Government Investment Pool (LGIP), which is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 60 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The fair value of the City's pool investments is determined by the pool's share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official. The City includes the LGIP as an investment for internal tracking, but it is disclosed on the financial statements as a cash equivalent.

As of December 31, 2014 the City had a fair value of investment in the LGIP amounted to \$34,306,078.

**NOTE 4 – CAPITAL ASSETS**

A summary of capital assets activity for the year ended December 31, 2014 is as follows:

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 13,744,357	\$ -			\$ 13,744,357
Construction in progress	7,537,572	-	878,156	(6,082,748)	2,332,981
Total capital assets, not being depreciated	21,281,929	-	878,156	(6,082,748)	16,077,338
Capital assets, being depreciated:					
Buildings	12,033,881	-			12,033,881
Improvements other than buildings	10,012,005	-	6,087,789		16,099,794
Machinery and equipment	2,691,847	-	180,997		2,872,844
Rolling Stock	5,731,922	-	212,808	(152,387)	5,792,343
Infrastructure	17,541,221	-	-		17,541,221
Total capital assets being depreciated	48,010,875	-	6,481,594	(152,387)	54,340,083
Less accumulated depreciation for:					
Buildings	(4,554,480)	-	(514,513)		(5,068,993)
Improvements other than buildings	(2,134,217)	-	(502,093)		(2,636,310)
Machinery and equipment	(2,124,413)	-	(120,201)		(2,244,614)
Rolling Stock	(3,397,506)	-	(514,180)	140,935	(3,770,751)
Infrastructure	(8,364,032)	-	(492,446)		(8,856,478)
Total accumulated depreciation	(20,574,648)	-	(2,143,433)	140,935	(22,577,146)
Total capital assets, being depreciated, net	27,436,227	-	4,338,161	(11,452)	31,762,936
Governmental activities capital assets, net	\$ 48,718,156	\$ -	\$ 5,216,318	\$ (6,094,200)	\$ 47,840,274

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,725,671	\$ -	\$ 947,698		\$ 2,673,369
Construction in progress	3,142,442	-	1,907,330	(1,198,605)	3,851,166
Total capital assets, not being depreciated	4,868,113	-	2,855,028	(1,198,605)	6,524,536
Capital assets, being depreciated:					
Buildings	8,783,801	-	17,584	-	8,801,385
Leasehold Improvements	19,422,000	-	-	-	19,422,000
Improvements other than buildings	64,129,090	-	496,240	(11,515)	64,613,815
Machinery and equipment	867,590	-	-	-	867,590
Intangible assets	25,081,601	-	600,156	-	25,681,757
Total capital assets being depreciated	118,284,081	-	1,113,980	(11,515)	119,386,546
Less accumulated depreciation for:					
Buildings	(1,633,970)	-	-	(174,477)	(1,808,447)
Leasehold Improvements	(5,098,275)	-	-	(485,550)	(5,583,825)
Improvements other than buildings	(15,623,644)	-	-	(1,354,781)	(16,978,425)
Machinery and equipment	(849,652)	-	-	(4,229)	(853,881)
Intangible assets	(12,133,343)	-	-	(1,137,442)	(13,270,785)
Total accumulated depreciation	(35,338,884)	-	-	(3,156,479)	(38,495,363)
Total capital assets, being depreciated, net	82,945,197	-	1,113,980	(3,167,994)	80,891,183
Business-type activities capital assets, net	\$ 87,813,310	\$ -	\$ 3,969,008	\$ (4,366,599)	\$ 87,415,718

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

Governmental activities:	
General government	\$ 473,874
Public safety	477,807
Physical Environment	275,633
Transportation	780,628
Health & Human Services	26,584
Economic Environment	6,169
Culture & Recreation	102,738
Total depreciation expense - governmental activities	<u>\$ 2,143,433</u>
Business-type activities:	
Water	\$ 1,658,124
Sewer	1,334,999
Stormwater	163,356
Total depreciation expense - business type activities	<u>\$ 3,156,479</u>

**NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

At year end the City's commitments were as follows:

<i><b>Governmental Activities</b></i>	Spent-to-Date	Remaining Commitment
<b>Streets Capital Projects (301)</b>		
Transportation Comp Plan- Roadways	\$ 81,533	188,467
Church Lake Rd-Kelly Lk Rd Overlay	428,253	87,747
DT 186th Corridor St Improvements	88,144	2,921,856
Sumner BuckleyHwy -SR 410 to Main St.Intersection	1,421,159	11,828,841
214th Ave Intersection Imprmt	822,567	-
Main Street/SR 410 Intersection	2,827,307	-
Sidewalks-SR410-Angeline Bridge-192nd	235,421	2,414,579
Subtotal Street Capital Improvement Fund	5,904,384	17,441,490
<b>Parks Capital Projects (302)</b>		
Fenell Crk Trail / Safe Routes - Sidewalks	2,028,119	94,881
Allen York Park Improvements		275,000
Allen York Park- Dike#13	347,328	-
Allen York Park- Sport/Tennis Court	57,428	-
Victor Falls Park	68,768	331,232
Fennel Creek Trail - Segment 2	9,702	1,065,298
Subtotal Parks Capital Improvement Fund	2,511,344	1,766,411
<b>General Government Capital Projects (320)</b>		
NONE		
<b>General Government Capital Projects (325)</b>		
NONE	-	
Subtotal General Government Capital Improvement Fund	-	-
<b>Total Governmental Funds</b>	<b>\$ 8,415,728</b>	<b>\$ 19,207,901</b>

<b><i>Business-Type Activities</i></b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
<b>Water Fund Projects (401)</b>		
Public Works Facility	75,959	8,881,041
SCADA Telemetry Upgrade	\$ 48,348	\$ 580,617
Lakeridge 810 Zone - H2O Main Upgrade	809,306	3,340,694
Reed Property- Water Rights/Building Improvements	89,751	-
Leaky Mains Phase 2F	406,489	-
Victor Falls Watershed	-	200,000
Grainger Springs Upgrades Bldg	9,000	1,332,000
24th St. Water Main replacement	10,930	51,570
Subtotal Water Fund Projects	1,449,783	14,385,922
<b>Sewer Fund Projects (402)</b>		
Public Works Facility	\$ 32,208	\$ 5,791,792
SCADA Telemetry Upgrade	\$ 46,077	\$ 1,344,086
Septic System Reduction Program 2010 Design	471,201	188,799
Eastown lift station prsline LS 18 Upgrade	1,525,971	132,529
Eastown N.Gravity Extention 214th-216th	1,714	118,286
Eastown N.Gravity Extention 214th-216th	249,705	450,295
Eastown Lift Station 18 Upgrade/SR410 Crossing	391,785	33,215
SR410 Pedestrian Improv-Trunk Line Replacement	692	399,308
Public Works Facility-Improvements	9,156	-
Eastown Southern ULA Sewer Improvements	42,304	457,696
Lift Station 9 Improvements	8,428	-
Subtotal Sewer Fund Projects	2,779,241	8,916,006
<b>Stormwater Fund Projects (415)</b>		
Public Works Facility	11,163	2,748,837
Church Lake Rd. Culvert Replacement	19,136	690,864
Water Quality Treatment Upgrade	-	50,000
Regional Storm Pond (Locust & 82nd)	-	215,000
Subtotal Stormwater Fund Projects	30,299	3,704,701
<b>Total Business-Type Activities</b>	<b>4,259,323</b>	<b>27,006,629</b>

**NOTE 6 – LONG TERM DEBT****General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Proceeds are typically used for the acquisition or construction of major capital facilities.

“Councilmanic Bonds” are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. The general obligation bond issues are recorded under governmental activities in the Statement of Net Position.

The City of Bonney Lake issued general obligation bonds to finance the construction of the Justice Center. Bonded indebtedness has also been entered into (currently and in prior years) to advance/refund several general obligation and revenue bonds. General obligation bonds have been

issued for both general government and business-type activities are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues.

The City of Bonney Lake is also liable for debt that was entered into for the purchasing of Motorola 800MHz radios. This debt is considered obligations of the general government and is being repaid with general governmental revenue sources.

At December 31, 2014, the general obligation bonds payable consist of the following issue for governmental activities:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Justice Center	18 Yrs.	3.15% - 5.0%	10,000,000	305,000

The annual debt service requirements to maturity for this general obligation bond is as follows:

Year Ending	Governmental Activities	
	Principal	Interest
2015	305,000	352,900
2016	320,000	340,700
2017	330,000	327,900
2018	345,000	314,700
2019	365,000	297,450
2020-2032	6,440,000	2,131,025
Totals	8,105,000	3,764,675

#### Revenue Bonds

The City has also issued revenue bonds where the government pledged income derived from the acquired or constructed assets to pay debt service. The revenue bond currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
Refund 1998 & 1999 Revenue Bonds	5 yrs.	3.5% - 4.0%	4,570,000	465,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2015	465,000	91,420
2016	475,000	72,820
2017	495,000	53,820
2018	415,000	34,020
2019	425,000	17,213
<b>Totals</b>	<b>2,275,000</b>	<b>269,293</b>

#### Public Works Trust Fund Loans

Public Works Trust Fund Loans are a low interest rate loan available from the State of Washington Department of Commerce, Local Government & Infrastructure Division for qualifying projects and are a direct responsibility of the City. The debt is repaid by proprietary fund revenues.

At December 31, 2014, the Public Works Trust Fund loans payable consist of the following:

			Due in	Due in More	12/31/2014
Fund	Loan #	Description	1 Year (2015)	Than 1 Year	O/S Bal
401	PW-97-791-017	Ponderosa Reservoir #2 - Construction	50,468	100,936	151,404
401	PW-98-78898-07	Corrosion Control Facility	14,974	59,898	74,872
401	PW-98-78898-08	Lakeridge Booster Pump Station	37,657	150,629	188,286
401	PW-98-791-006	Ponderosa Reservoir #2 - 800 Zone Overflow Construction	14,995	44,986	59,981
401	PW-00-691-008	McGhee Water Main Replacement	38,306	191,532	229,838
401	PW-03-691-003	Spring Sources Water Quality Treatment Facilities	63,715	509,724	573,439
401	PW-04-691-008	Ball Park Well Water Quality Treatment Facility	178,676	1,608,089	1,786,765
401	PW-04-691-009	Leak Reduction Program	247,456	2,227,101	2,474,557
401	PW-05-96-791-004	Church Lake/Inlet Island Watermain Replacement	66,057	66,057	132,114
401	PW-PC-08-951-004	Leak Reduction Program Phase II	297,637	3,869,283	4,166,920
402	PW-02-691-006	Sumner Sewer Treatment Plant Upgrade	373,047	2,611,329	2,984,376
402	PW-04-691-007	Sumner Sewer Treatment Plant Upgrade	105,450	949,050	1,054,500
402	PW-06-962-ELP-302	Emergency Sewer Main Replacement	26,316	289,473	315,789
402	PW-PC-08-951-005	Reconstruct Trunk Sewer to Sumner WWTP	195,732	2,544,511	2,740,243
402	PC-12-951-045	Sumner /Bonney Lake Wastwater Treatment Plant Upgrade	87,418	2,464,086	2,551,504
		<b>Totals</b>	<b>1,797,904</b>	<b>17,686,684</b>	<b>19,484,588</b>

#### Installment Contracts

At December 31, 2014, installment contracts consisted of the following:

Purpose	Maturity Date	Interest Rate	Original Amount	Amount of Installment
Motorola 800 MHz	2018	4.54%	1,938,528	199,392
City of Tacoma	2015	5.88%	5,776,598	462,128
<b>Totals</b>			<b>7,715,126</b>	<b>661,520</b>



Installment contract debt service requirements to maturity are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
12/31/14				
2015	199,392	31,306	462,128	5,776
2016	208,547	22,151	0	0
2017	218,123	12,575	0	0
2018	112,789	2,560	0	0
<b>Totals</b>	<b>738,851</b>	<b>68,592</b>	<b>462,128</b>	<b>5,776</b>

#### Interfund Loans and Advances

Within the City, one fund may borrow from another when specifically authorized by a City Council resolution. The activity and balances of the interfund loan at December 31, 2014 is as follows:

Lending Fund	Borrowing Fund	Balance at 1/1/2014	Additions	Reductions	Balance at 12/31/14
Sewer Fund	Park CIP	600,436		200,145	400,291

Interfund contract debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2015	200,145	428
2016	200,145	428
<b>Totals</b>	<b>400,290</b>	<b>856</b>

#### **NOTE 7 – LEASES**

##### Operating Lease

The City has contracted with Cascade Water Alliance for water supply from Cascade's permanent capacity to be available either during peak period only or throughout the year.

At December 31, 2014, lease contracts consisted of the following:

Purpose	Maturity Date	Interest Rate	Original Amount	Amount of Installment
Cascade Water Alliance	2018	0.00%	2,747,334	391,222

Year Ending	Principal
2015	391,222
2016	391,222
2017	391,222
2018	391,222
<b>Totals</b>	<b>1,564,890</b>

**NOTE 8 – CHANGES IN LONG TERM LIABILITIES**

	Description	Beginning Bal. 1/1/2014	Additions	Reductions	Ending Balance, 12/31/2014
<b>Governmental Activities</b>					
	2007 G.O. Debt-Justice Center	\$8,400,000		\$295,000	\$8,105,000
	Motorola 800 MHz Equipment	\$931,535		\$192,685	\$738,850
	Compensated Absences	\$885,875	\$64,047		\$949,922
<b>Total Governmental Activities</b>		<b>\$10,217,410</b>	<b>\$64,047</b>	<b>\$487,685</b>	<b>\$9,793,772</b>
<b>Business Type Activities</b>					
<b>Public Works Trust Fund Loans:</b>					
	PW 97-791-017 Ponderosa Const	\$201,872		\$50,468	\$151,404
	PW 98-78898-07 Corrosion Control	\$89,846		\$14,974	\$74,872
	PW 98-78898-08 Lakeridge Pmp Sta.	\$225,944		\$37,657	\$188,286
	PW 98-791-006 Ponderosa Overflow	\$74,976		\$14,995	\$59,981
	PW 00-691-008 McGhee Drive Water	\$268,145		\$38,306	\$229,838
	PW 03-691-003 Spring Source H2O	\$637,155		\$63,715	\$573,439
	PW 04-691-008 Ballpark Well treatmnt	\$1,965,442		\$178,676	\$1,786,765
	PW 04-691-009 Leak Reduction Pgm	\$2,722,013		\$247,456	\$2,474,557
	PW 5-96-791-004 Church Lake Main	\$198,171		\$66,057	\$132,114
	PC 08-951-004 Leak Reduction II	\$3,126,555	\$1,338,002	\$297,637	\$4,166,919
	PW 02-691-006 Sumner Trt Plnt	\$3,357,423		\$373,047	\$2,984,376
	PW 04-691-007 Sewer Trt Plnt Upgde	\$1,159,950		\$105,450	\$1,054,500
	PW 06-962-ELP-302 Reconst Sewer to	\$342,105		\$26,316	\$315,789
	PC 08-951-005 Reconstruct Sewer line	\$2,457,585	\$478,391	\$195,732	\$2,740,244
	PC 12-951-045 Waste Water Treatment Plnt	\$900,719	\$1,700,825	\$50,040	\$2,551,504
<b>Sutotoal Trust Fund Loans</b>		<b>\$17,727,900</b>	<b>\$3,517,217</b>	<b>\$1,760,527</b>	<b>\$19,484,590</b>
	BONWAT07 - 2007 Water/Sewer Refunding Bonds	\$2,230,400		\$364,900	\$1,865,500
		\$489,600		\$80,100	\$409,500
	City of Tacoma Syst Dev Chgs	\$924,255		\$462,128	\$462,127
	Compensated Absences	\$115,180	\$0	\$904	\$114,277
<b>Total Business Type Activities</b>		<b>\$21,487,335</b>	<b>\$3,517,217</b>	<b>\$2,668,559</b>	<b>\$22,335,993</b>

**NOTE 9 – PENSION PLANS**

Substantially all city full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit 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](http://www.drs.wa.gov).

**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; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

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

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2

defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment. PERS Plan 1 members are vested after the completion of five years of eligible service.

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

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

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

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

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

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

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

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

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

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

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

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

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

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

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

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

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

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

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

#### Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are

developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member

contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

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

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

Members Not Participating in JBM:

	<i>PERS Plan 1</i>	<i>PERS Plan 2</i>	<i>PERS Plan 3</i>
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

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

\*\* The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

\*\*\* Plan 3 defined benefit portion only.

\*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

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

Members Participating in JBM:

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

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

\*\* Plan 3 defined benefit portion only.

\*\*\*Minimum rate.

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

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
--	--------------------	--------------------	--------------------

2014	\$ 19,615	\$525,006	\$62,921
2013	\$18,350	\$441,256	\$55,838
2012	\$15,994	\$384,657	\$52,402
2011	\$12,688	\$319,186	\$43,475

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

#### Plan Description

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

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

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

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

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

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

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

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on



active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

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

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

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

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

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

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death

resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013<sup>1</sup>:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Terminated Plan Members Nonvested	1,600
<b>Total</b>	<b>29,640</b>

#### Funding Policy

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

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

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

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

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

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

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

	LEOFF Plan 1	LEOFF Plan 2
2014	\$0	\$145,280
2013	\$0	\$136,778
2012	\$0	\$132,254
2011	\$0	\$130,251

#### **NOTE 10 – OTHER POST EMPLOYMENT BENEFITS**

##### **1. Association of Washington Cities Employee Benefit Trust (“Trust”)**

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

**Funding Policy:** The plan is administered by a trust or equivalent arrangement in which employer contributions to the trust are irrevocable; plan assets are dedicated to providing OPEB to retirees and their beneficiaries in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employers or plan administrator.

In 2013, there were 274 employers enrolled in the AWC Employee Benefit Trust Membership. All the risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) apply to each employer.

The Trust provides that contribution requirements of participating employers and of participating employees, retirees, and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute as follows:

<u>Coverage Type</u>	<u>Monthly Cost</u>
Non-Medicare enrolled retiree only	\$715.00
Non-Medicare enrolled retiree + spouse	\$1,430.00
Medicare enrolled retiree + Non-Medicare enrolled spouse	\$1,286.00
Non-Medicare enrolled retiree + Medicare enrolled spouse	\$1,109.00
Medicare enrolled retiree + Medicare enrolled spouse	\$965.00

Participating employers are contractually required to contribute at a rate assessed each year by the Trust. The City's contributions to the Trust for the year ended December 31, 2014 were \$0, as the City has no participating retirees within the AWC Trust.

GASB reporting standards are required for Post-Employment Benefits Plans Other than Pension Plans, or OPEB. The AWC has chosen to adopt the reporting standards. All costs, liabilities, interest rates, and other factors have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account experience and reasonable expectations); and which, in combinations, offer the best estimate of anticipated experience.

## **2. Law Enforcement Officers and Firefighters (LEOFF)**

Plan Description: As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977, under a defined benefit plan administered by the City. This plan is commonly referred to as LEOFF 1. The City provides LEOFF 1 post-employment benefits for one retired law enforcement employee.

Under the LEOFF 1 healthcare reimbursements, the plan member has no required contributions. The City is required to pay all healthcare expenses incurred by LEOFF 1 retirees. The City's cost is reduced by any amounts retirees receive from Medicare or any other health plans. LEOFF 1 retirees may request reimbursement for healthcare expenses that are not paid by their primary healthcare plan.

Amendments to the plan may be made through State statute.

Membership: Membership in LEOFF 1 includes participants who joined the system by September 30, 1977. As of December 31, 2014, one City employee meets this requirement. This is considered a closed group. No new members are permitted.

Funding Policy: Funding for LEOFF 1 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. Retirees are not required to contribute any portion of the cost coverage.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post-employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 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 fifteen years as of January 1, 2014.

The City was required to contribute \$33,183 (Annual Required Contribution, or ARC), but only contributed \$12,147 at December 31, 2014. For the City's single retired LEOFF 1 member, the City purchased health insurance from the United Benefit Trust. The retired law enforcement employee received a benefit contribution of \$1,012.25 per month, or \$12,147 per year, for retiree-only coverage. This differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO).

	<b>Fiscal Year Ending 12/31/2014</b>
<b>Determination of Required Annual Contribution</b>	
Normal Cost	0
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	33,183
Annual Required Contribution (ARC)	33,183
<b>Determination of Net OPEB Obligation</b>	
Annual Required Contribution (ARC)	33,183
Interest on Net OPEB Obligation	2,853
Net OPEB Obligation Amortization	(6,415)
Annual OPEB Cost	29,621
Contributions Made	12,147
Increase in Net OPEB	41,768
Net OPEB Obligation - January 1, 2014	71,321
Net OPEB Obligation - December 31, 2014	88,796

The City's annual OPEB cost, the percentage of OPEB contributed to the plan, and the net OPEB obligation is as follows:

<b>Year</b>	<b>Annual OPEB Cost</b>	<b>Employer Contribution</b>	<b>% of OPEB Contribution</b>	<b>Net OPEB Obligation</b>
2014	29,621	12,147	41.0%	88,796
2013	28,758	11,568	40.2%	72,321
2012	21,578	10,056	46.6%	54,131
2011	21,787	8,748	40.2%	44,121

As of January 1, 2014, the plan was 0% funded. The accrued liability for benefits was \$368,946 and the actuarial valuation of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$368,949.

**Methodology and Actuarial Assumptions:** The City 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, 2012 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 2012. 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 10 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

#### **NOTE 11 – HEALTH & WELFARE**

The City of Bonney Lake is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on

December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that

member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

#### **NOTE 12 – RISK MANAGEMENT**

The City of Bonney Lake is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 175 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually. Settlements have not exceeded insurance coverage in any of the past three years.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel

issues and land use problems, insurance brokerage, and lobbyist services.



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

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

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

The City's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the basic premium rate assigned to the business risk classification.

### **NOTE 13 – CONTINGENCIES AND LITIGATIONS**

The City has recorded in its financial statements all material liabilities based upon available information. The City currently has two pending lawsuits that would not be covered by insurance. They are as follows:

*Crew v. Swatman & City of Bonney Lake, U.S. District Court for the Western Dist. of Washington, case number 3:15-cv-05247-RBL.*

Lawsuit by the lawyer of an applicant for marijuana retail license against deputy mayor and city, alleging that deputy mayor's limitation of council meeting comments to five minutes, as set forth in the city code, violated lawyer's First Amendment rights. At this time, the lawsuit does not seek monetary damages, only invalidation of the City's marijuana zoning ordinance.

*4Ever Healing, LLC/Sarajit Bassi v. City of Bonney Lake, Pierce County Superior Court, case number 15-2-07070-9*

Lawsuit by applicant for marijuana retail license challenging the City's marijuana zoning ordinance, which prohibits marijuana retail business from operating. Lawsuit is seeking invalidation of ban and damages for "inverse condemnation."

The City also 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 14 – INTERFUND BALANCES AND TRANSFERS**

In an effort to close out Fund 510, Project Development Fund, transfers were needed between funds. These transfers including closing out negative cash and deposits payable and further clean up to close out the Project Development Fund (510) into the General Fund (001).

Interfund transfers at December 31, 2014 were as follows:

	TRANSFER IN:	
TRANSFER OUT:	<u>General Fund</u>	<u>Project Dev Fund</u>
General Fund	--	\$1,000,002
Project Dev. Fund	\$112,882	--

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

The City is recognizing a couple prior period adjustments. In the governmental fund statements and statement of activities there are the following:

- 1) In the General Fund #001, \$85,273 originally posted as deferred revenues in error;
- 2) In the General Fund #001, \$11,024 fund balance reported in error;
- 3) In the Street Construction Fund #301, \$811,454 accrued grant revenue twice in prior year;
- 4) In the Park Construction Fund #302, \$489,216 debt reported incorrectly.

In the proprietary fund statements and the statement of activities the following adjustments were recognized:

- 1) In the Water Fund #401, \$1,338,001 debt reported incorrectly;
- 2) In the Sewer Fund #402, \$478,388 debt reported incorrectly;
- 3) In the Sewer Fund #402, \$489,216 debt reported incorrectly;
- 4) In the Stormwater Fund #415 incorrectly reported \$84,625 in expenditures as capitalized assets;

**NOTE 16 –SUBSEQUENT EVENTS**

On March 26, 2015, the City refunded the Motorola 800 MHz Equipment together with the 2007 LTGO Bond Issuance.

City of Bonney Lake  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2014

	Budget Amounts		Actual Biennium Through 12/31/2013	Actual Biennium 2014	Variance with Final Budget Over (Under)
	Approved Original Budget 2013-2014 Biennium	Approved Revised Budget 2013-2014 Biennium			
REVENUES					
Taxes					
Property	\$ 5,300,454	\$ 5,393,645	\$ 2,635,753	2,724,501	(33,391)
Sales	7,806,252	7,629,072	3,720,172	3,581,024	(327,876)
Business & Occupation	2,570,261	5,206,909	2,820,847	2,804,458	418,396
Other	2,805,443	345,975	153,024	120,387	(72,564)
Licenses and permits	1,439,911	1,439,911	855,107	1,145,272	560,468
Intergovernmental	1,389,855	1,389,855	653,436	632,660	(103,759)
Charges for services	4,084,288	4,084,288	2,063,696	2,331,400	310,808
Fines and forfeitures	1,480,992	1,372,096	547,847	524,512	(299,737)
Miscellaneous					-
Interest Earnings	107,628	107,628	13,344	12,518	(81,766)
Other	758,759	1,430,179	374,473	474,398	(581,308)
Total revenues	27,743,843	28,399,558	13,837,699	14,351,130	(210,729)
EXPENDITURES					
Current:					
General Government	7,439,447	8,034,807	4,330,965	4,184,675	480,833
Public safety	11,695,047	11,695,046	5,270,780	5,634,746	(789,520)
Utilities and environment	151,242	151,242	12,665	100,343	(38,234)
Transportation	2,088,161	2,088,162	1,567,842	1,596,114	1,075,794
Economic environment	4,183,658	4,219,175	1,486,269	1,227,207	(1,505,699)
Culture and recreation	612,837	650,030	370,726	889,993	610,689
Health and human services	-	4,000	35,615	361,830	393,445
Debt Service	1,338,443	1,338,443	383,352	700,115	(254,976)
Capital Outlay	103,000	218,653	145,743	53,594	(19,316)
Total expenditures	27,611,835	28,399,558	13,603,957	14,748,617	(46,984)
				(80,565)	(80,565)
Excess (deficiency) of revenues over expenditures	132,008	-	233,742	(397,487)	(163,745)
OTHER FINANCING SOURCES (USES)	-	-	-		
Disposition of Capital Assets	-	-	1,090,589		1,090,589
Transfers in	-	-	-	1,112,884	-
Transfers out	-	-	-	(1,112,884)	-
Total other financing sources (uses)	-	-	1,090,589	0	-
Net change in fund balances	132,008	-	1,324,331	(397,487)	
FUND BALANCES, BEGINNING	2,431,243	2,431,243	2,431,243	3,755,574	-
PRIOR PERIOD ADJUSTMENTS	-	-	-	(96,297)	
FUND BALANCES, ENDING	\$ 2,563,251	\$ 2,431,243	\$ 3,755,574	\$ 3,261,790	

The notes are an integral part of the financial statements.

**CITY OF BONNEY LAKE**  
**Required Supplementary Information**  
**For the Year ended December 31, 2014**  
**for LEOFF 1 Retiree Medical Benefits**

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Accrued	AAL	Ratio	Payroll	Percentage
Date	Assets	rojected Credit	(UAAL)	(a/b)	( c )	of Covered
	(a)	(b)	(b-a)			Payroll
						((b - a)/c)
12/31/2009	0	242,411	242,411	0%	0	0%
12/31/2010	0	235,963	235,963	0%	0	0%
12/31/2011	0	244,302	244,302	0%	0	0%
12/31/2012	0	254,531	254,531	0%	0	0%
12/31/2013	0	349,795	349,795	0%	0	0%
12/31/2014	0	368,946	368,946	0%	0	0%

**Schedule of Employer Contributions**  
**for LEOFF 1 Retiree Medical Benefits**

Fiscal	Annual	Annual	Annual
Year	Required	percentage of	
Ending	Contributi	ARC	Contributed
	Payments	(ARC)	
12/31/2009	6,852	22,572	30.4%
12/31/2010	7,608	21,971	34.6%
12/31/2011	8,748	21,787	40.2%
12/31/2012	11,568	23,700	48.8%
12/31/2013	11,568	31,461	36.8%
12/31/2014	12,147	33,183	36.6%

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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<b>Toll-free Citizen Hotline</b>	(866) 902-3900
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