



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### City of Bonney Lake

Pierce County

For the period January 1, 2015 through December 31, 2015

Published September 29, 2016

Report No. 1017624





## Washington State Auditor's Office

September 29, 2016

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

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Bonney Lake's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

## TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
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 .....	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance .....	8
Independent Auditor’s Report On Financial Statements .....	11
Financial Section.....	14
About The State Auditor’s Office.....	85

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Bonney Lake**  
**Pierce County**  
**January 1, 2015 through December 31, 2015**

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Bonney Lake are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

#### Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**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, 2015 through December 31, 2015**

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 City of Bonney Lake, Pierce County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 22, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

**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 opinion 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.

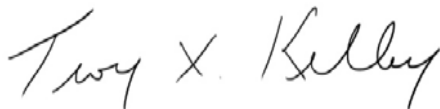
## COMPLIANCE AND OTHER MATTERS

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

September 22, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Bonney Lake  
Pierce County  
January 1, 2015 through December 31, 2015**

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the City of Bonney Lake, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal



program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

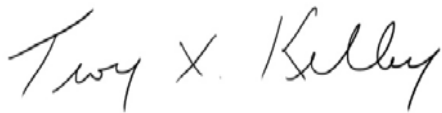
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

September 22, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Bonney Lake Pierce County January 1, 2015 through December 31, 2015**

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 City of Bonney Lake, Pierce County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 14.

#### **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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Bonney Lake, as of December 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 23, pension plan information on pages 74 through 81, budgetary comparison information on page 82, and information on postemployment benefits other than pensions on page 83 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

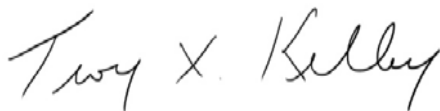
assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016 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

September 22, 2016

## FINANCIAL SECTION

**City of Bonney Lake  
Pierce County  
January 1, 2015 through December 31, 2015**

### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Notes to Financial Statements – 2015

### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2015

Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2015

Schedule of Proportionate Share of Net Pension Liability – LEOFF 1 – 2015

Schedule of Proportionate Share of Net Pension Liability – LEOFF 2 – 2015

Schedule of Employer Contributions – PERS 1 – 2015

Schedule of Employer Contributions – PERS 2/3 – 2015

Schedule of Employer Contributions – LEOFF 1 – 2015

Schedule of Employer Contributions – LEOFF 2 – 2015

General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget (GAAP Basis) and Actual – 2015

Schedule of Funding Progress and Schedule of Employer Contributions for LEOFF 1 –  
Retiree Medical Benefits – 2015

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

**City of Bonney Lake**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ending December 31, 2015**

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, 2015. 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, 2015 total assets of the City exceeded its liabilities by \$147.6 million. Of this amount, \$39.1 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 \$1.6 million.
- Capital assets increased approximately \$1.06 million, largely due to land acquisition, Street improvement infrastructure projects, and parks& trails expansion projects. These were largely funded with grant revenues & trust fund loans.
- The City's governmental funds reported combined ending fund balances of \$15.7 million.
- The General Fund reported an unassigned fund balance of \$3.2 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 2015, 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 2014 to fiscal 2015 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 storm water 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 eight 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 2015.

#### **CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>ASSETS</b>						
Current and other assets	21,526,066	21,854,140	25,920,129	24,076,202	47,446,195	45,930,342
Capital Assets net of Depreciation	47,840,273	50,398,707	87,415,719	86,116,630	135,255,992	136,515,337
<b>TOTAL ASSETS</b>	<b>69,366,339</b>	<b>72,252,847</b>	<b>113,335,848</b>	<b>110,192,832</b>	<b>182,702,187</b>	<b>182,445,679</b>
<b>LIABILITIES</b>						
Long-term liabilities	9,021,082	9,111,264	20,782,406	20,679,990	29,803,488	29,791,254
Other Liabilities	2,178,608	1,920,436	4,782,817	4,116,535	6,961,425	6,036,971
<b>TOTAL LIABILITIES</b>	<b>11,199,690</b>	<b>11,031,700</b>	<b>25,565,223</b>	<b>24,796,525</b>	<b>36,764,913</b>	<b>35,828,225</b>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	38,996,422	41,554,856	63,627,995	63,268,659	102,624,417	104,823,515
Restricted for debt	504,392	750,145	3,116,255	2,854,267	3,620,647	3,604,412
Unrestricted	18,665,834	18,916,147	18,842,539	20,225,264	37,508,373	39,141,411
<b>TOTAL NET POSITION</b>	<b>58,166,648</b>	<b>61,221,148</b>	<b>85,586,789</b>	<b>86,348,190</b>	<b>143,753,437</b>	<b>147,569,338</b>

The most significant portion of 2015 net position (74%) 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* (\$39.1 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2015 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 2015:

**CONDENSED STATEMENT OF ACTIVITIES**

REVENUES	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Charges for goods and services	5,593,629	5,648,310	19,645,553	16,341,384	25,239,182	21,989,694
Operating Grants & contributions	632,660	1,090,672			632,660	1,090,672
Capital grants & contributions	1,046,391	1,368,780	126,414	-	1,172,805	1,368,780
Property Taxes	2,724,501	2,861,447			2,724,501	2,861,447
Sales Taxes	3,581,024	4,595,171			3,581,024	4,595,171
B&O Taxes	2,804,458				2,804,458	-
Excise Taxes	796,802	4,104,936			796,802	4,104,936
Utility & other Taxes	94,120	227,288			94,120	227,288
Interest	25,177	32,095	22,013	32,147	47,190	64,242
Other	391,744	475,043	15,412	236,753	407,156	711,796
Total revenues	17,690,506	20,403,742	19,809,392	16,610,284	37,499,898	37,014,026
EXPENDITURES						
General government	4,984,070	5,671,991			4,984,070	5,671,991
Public safety	6,499,896	6,714,397			6,499,896	6,714,397
Utilities and environment	111,748	-			111,748	-
Transportation	1,067,342	1,579,588			1,067,342	1,579,588
Economic environment	1,459,293	1,460,365			1,459,293	1,460,365
Culture and recreation	992,636	1,200,497			992,636	1,200,497
Health and human services	404,191	390,168			404,191	390,168
Interest on debt	401,614	332,503	247,285		648,899	332,503
Water			6,519,607	7,917,284	6,519,607	7,917,284
Sewer			7,309,921	10,114,576	7,309,921	
Storm			1,542,177	1,435,720	1,542,177	
Total Expenditures	15,920,790	17,349,509	15,618,990	19,467,580	31,539,780	36,817,089
Change in Net Position	1,769,716	3,054,233	4,190,402	(2,857,296)	5,960,118	196,937
Net Position as of January 1, 2015	56,815,734	58,166,915	85,970,453	87,770,625	142,786,187	145,937,540
Prior Period Adjustment	(418,535)	-	(2,390,230)	1,434,861	(2,808,765)	1,434,861
Net Position as of December 31, 2015	58,166,915	61,221,148	87,770,625	86,348,190	145,937,540	147,569,338

As illustrated in the total column, the most significant justification for the decrease 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 upturn in construction activity may not be as strong as predicted. We had considerable expense related to building & constructing new infrastructure throughout the city. Further monitoring and analysis are required to substantiate this conclusion, however. The total Change in Net Position is \$1,631,798).

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 \$3,054,233 thousand dollar increase in Net Position. This is twice the growth seen between 2014 & 2013. Governmental Activities account for 41% of the City’s Net Position.

Key Elements of the 2015 changes are as follows:

- Total assets from Governmental Activities increased by \$2,886,508.
- Cash & Cash Equivalents decreased by \$1,522,888 from 2014 to 2015 while receivables increased by \$1,849,989. This is largely due to significant infrastructure construction projects including the new Old Sumner Buckley Hwy & 410 intersection.
- Total liabilities from Governmental Activities decreased by only \$167,725. Liabilities stayed stable for the year.
- Total Revenues increased by \$2,713,236. This increase is mainly related to increases in our tax base, Sales Taxes & an incremental Utility tax increase.
- Total expenditures increased by \$1,428,719., as we increased our Capital & infrastructure 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 2015, unassigned fund balance of the General Fund was \$3.21 million. For the past several years the top categories of revenue collected within the general fund have been Sales Tax, Property Tax, Building Permits, Utility Tax, and Fines and Forfeitures. This year we have added Grants & Contributions as a significant source of revenue. We fully expect this trend to continue.

### ***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 2015 – 2016 biennial budget to consist of \$197 million including fund balances. The adopted budgeted estimated 2015 revenues to be \$43.7 million and \$45 million in 2016. Expenditures were estimated at \$58 million for 2015 and \$46 million for 2016. 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

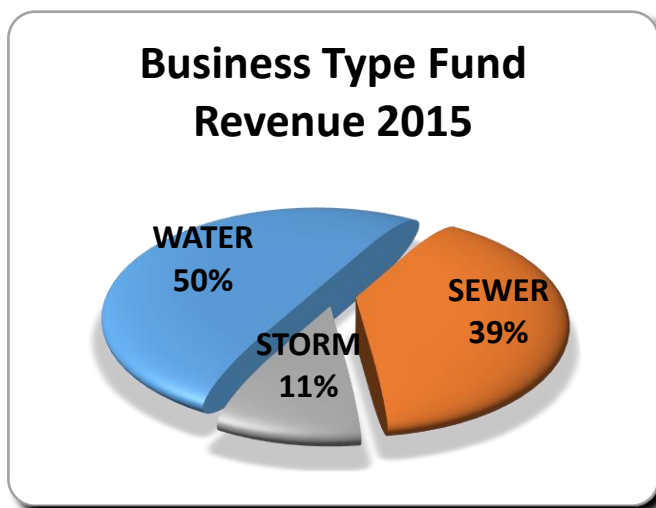
is mainly to take a realistic budgetary look at projects underway and/or projects that may have experienced delays, for whatever reason. Funds are authorized for the entire biennium. The budget was amended to include a debt service fund in the amount of \$10.6 million due to the bond refunding. The total biennial budget was then adopted in the amount of \$208.5 million to include fund balances. Ordinance 1499, 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 decreased by \$1,422,435. Business –type activities accounts for 59% of the Cities net position. Key Elements of the 2015 changes are as follows:

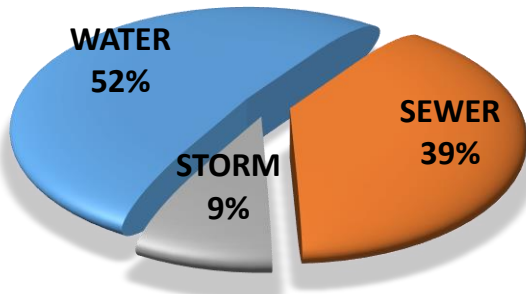
- Investment in capital assets did not increase in 2015, this can be attributed to slowing in infrastructure construction projects and disposition of aging assets.
- Revenues decreased by \$3,199,108. Due mainly to a decrease in Operating Goods & Services.
- Cash & cash equivalents increased by \$1,759,496, while we saw a decrease in liabilities of \$768,698. This is mostly due to a decrease in outstanding payables balance at year end.

The charts below show the changes in Expenses & Revenues from 2014 to 2015 in the three major Business Type funds:



WATER	\$ 8,174,848
SEWER	\$ 6,447,244
STORM	\$ 1,719,292

## Business Type Fund Revenue 2014



WATER	\$ 10,129,220
SEWER	\$ 7,739,347
STORM	\$ 1,777,004

### *Capital Assets*

The following table summarizes the City's capital asset balances at December 31, 2015:

	Governmental activities:		Business-type activities:		Total:	
	2014	2015	2014	2015	2014	2015
Land	13,744,357	13,744,355	2,673,369	2,673,369	16,417,726	16,417,724
Construction in progress	2,332,981	4,444,529	3,851,166	3,003,242	6,184,147	7,447,771
Total capital assets, not depreciated	16,077,338	18,188,884	6,524,536	5,676,611	22,601,873	23,865,495
Capital assets, being depreciated:						
Buildings	6,964,888	6,464,469	6,992,938	8,804,624	13,957,826	15,269,093
Improvements other than buildings	13,463,484	14,828,330	13,838,175	13,352,625	27,301,659	28,180,955
Machinery and equipment	628,230	951,595	47,635,390	46,805,041	48,263,620	47,756,636
Rolling Stock	2,021,592	1,771,804	13,708	10,755	2,035,300	1,782,559
Infrastructure	8,684,743	8,193,625	12,410,972	11,266,193	21,095,715	19,459,818
Total capital assets being depreciated	31,762,937	32,209,823	80,891,183	80,239,238	112,654,120	112,449,061
TOTAL	\$ 47,840,275	\$ 50,398,707	\$ 87,415,718	\$ 85,915,849	\$ 135,255,993	\$ 136,314,556

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, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,127,407	\$ 21,947,003	\$ 40,074,410
Investments	-	-	-
Receivables	2,984,241	1,713,388	4,697,629
Due from other governments	1,102,549	-	1,102,549
Inventories	-	208,488	208,488
Internal Balances	(400,291)	400,290	(1)
Prepaid items	1,980	-	1,980
Restricted assets:			
Cash and cash equivalents	25,754	5,540	31,294
Net Pension Asset	1,149,968		1,149,968
Deposits	12,500	2,274	14,774
Capital Assets:			
Non-depreciable	18,188,884	5,676,612	23,865,496
Depreciable (net)	32,209,823	80,239,237	112,449,060
Total assets	73,402,815	110,192,832	183,595,647
Deferred Outflow of resources	829,080	190,482	1,019,562
Total deferred outflow of resources	829,080	190,482	1,019,562
<b>LIABILITIES</b>			
Accounts payable	1,188,342	770,504	1,958,846
Contracts payable	80,757	-	80,757
Due to other governments	3,559	38	3,597
Deposits	33,745	(280,062)	(246,317)
Accrued Interest payable	-	115,655	115,655
Net Pension Liability	5,245,905	751,718	5,997,623
Other liabilities	487,742	373,795	861,537
Unearned revenue	126,291	-	126,291
Long term debts			
Due within one year	750,145	2,854,267	3,604,412
Due in more than one year	8,508,105	20,009,937	28,518,042
Total liabilities	16,424,591	24,595,852	41,020,443
Deferred Inflows of resources	1,083,098	200,673	1,283,771
Total deferred Inflows of resources	1,083,098	200,673	1,283,771
<b>NET POSITION</b>			
Net investment in capital assets	41,554,856	63,268,659	104,823,515
Restricted for Debt service/Pension Liability	5,996,050	2,854,267	8,850,317
Unrestricted	9,173,300	19,463,863	28,637,163
Total Net Position	\$ 56,724,206	85,586,789	\$ 142,310,995

The notes are an integral part of the financial statements.

**City of Bonney Lake  
Statement of Activities  
For the Year Ended December 31, 2015**

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	\$ 4,938,688	\$ 3,174,592	\$ 1,090,672	\$ -	(673,424)	\$ -	\$ (673,424)	
Public safety	6,439,023	481,585			(5,957,438)	-	(5,957,438)	
Physical environment	-				-	-	0	
Transportation	1,301,357	1,772,348		1,368,780	1,839,771	-	1,839,771	
Health and human services	390,168				(390,168)	-	(390,168)	
Economic environment	1,460,255				(1,460,255)	-	(1,460,255)	
Culture and recreation	1,155,009	219,785			(935,224)	-	(935,224)	
Interest on long term debt	332,503				(332,503)	-	(332,503)	
Total governmental activities	16,017,003	5,648,310	1,090,672	1,368,780	(7,909,241)	-	(7,909,241)	
<b>Business-type Activities:</b>								
Water	7,917,284	8,174,848	-	-	-	257,564	257,564	
Sewer	10,114,576	6,447,244	-	-	-	(3,667,332)	(3,667,332)	
Stormwater	1,435,720	1,719,292	-	-	-	283,572	283,572	
Total business-type activities	19,467,580	16,341,384	-	-	-	(3,126,196)	(3,126,196)	
<b>Total government</b>	<b>\$ 35,484,583</b>	<b>\$ 21,989,694</b>	<b>\$ 1,090,672</b>	<b>\$ 1,368,780</b>	<b>\$ (7,909,241)</b>	<b>\$ (3,126,196)</b>	<b>\$ (11,035,437)</b>	
<b>General Revenues:</b>								
Taxes:								
Property taxes					2,861,447	-	2,861,447	
Sales taxes					4,595,171	-	4,595,171	
B&O taxes					-	-	-	
Excise taxes					4,104,936	-	4,104,936	
Utility and other taxes					227,288	-	227,288	
Investment earnings					32,095	32,147	64,242	
Miscellaneous revenues					458,343	22,499	480,842	
Special Item - Gain (loss) on sale of capital asset					16,700	-	16,700	
Special Item - Close Insurance Fund 502/ to CIP& Debt Fund					(1,282,601)	14,109	(1,268,492)	
Special Item - Interfund loan					(200,145)	200,145	-	
Total Revenues					10,813,234	268,900	11,082,134	
Change in net position					2,903,993	(2,857,296)	46,697	
Net position-beginning					58,166,915	87,770,625	145,937,540	
Prior period adjustment					-	1,434,861	1,434,861	
Changes in Accounting Principals- GASB 68					(4,346,702)	(761,401)	(5,108,103)	
Net position-ending					56,724,206	85,586,789	142,310,995	

The notes are an integral part of the financial statements.

**City of Bonney Lake  
Balance Sheet  
Governmental Funds  
December 31, 2015**

	001	301	302	320	120 & 202	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	STREET CONSTRUCTION FUND	PARK CONSTRUCTION FUND	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS	
<b>ASSETS and OUT</b>						
Cash and cash equivalents	3,388,542	2,687,083	3,749,725	4,739,328	82,299	14,646,977
Receivables	740,779	1,419,728	23,460	10,054		2,194,021
Due from other governments	955,342	137,913	9,294	0		1,102,549
Prepaid items	1,980	0	0	0		1,980
Restricted assets:						
Cash	25,754	0				25,754
Deposits	12,000	0	0	500		12,500
Total assets	<u>5,124,397</u>	<u>4,244,724</u>	<u>3,782,479</u>	<u>4,749,882</u>	<u>82,299</u>	<u>17,983,781</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	720,073	377,101	17,649	27,274		1,142,097
Contracts payable		65,682	0	15,075		80,757
Due to other governments	3,559	0	0	0	0	3,559
Restricted Deposits payable	33,745	0	0	0		33,745
Interfund loan payable		0	400,291	0		400,291
Unearned revenues	102,149	24,142	0	0		126,291
Other liabilities	477,191	0	0	0		477,191
Total liabilities	<u>1,336,717</u>	<u>466,925</u>	<u>417,940</u>	<u>42,349</u>	<u>0</u>	<u>2,263,931</u>
<b>Fund balances:</b>						
Restricted	613,085	0	0	0		613,085
Committed	3,559	0	200,145	0	82,299	286,003
Assigned	0	3,777,799	3,164,394	4,707,533		11,649,726
Unassigned	3,171,036	0	0	0		3,171,036
Total fund balances	<u>3,787,680</u>	<u>3,777,799</u>	<u>3,364,539</u>	<u>4,707,533</u>	<u>82,299</u>	<u>15,719,850</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>5,124,397</u>	<u>4,244,724</u>	<u>3,782,479</u>	<u>4,749,882</u>	<u>82,299</u>	

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.	790,221
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	50,398,707
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	(9,248,802)
Long-term liabilities, GASB 68 Liability	(4,349,956)
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.	3,414,186

Net position of governmental activities

56,724,206

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, 2015					
	001	301	302	320	120 & 202	TOTAL
	GENERAL FUND	STREET CONSTRUCTION FUND	PARK CONSTRUCTION FUND	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
REVENUES						
Taxes						
Property	2,861,447	0	0	0	0	2,861,447
Sales	4,595,171	0	0	0	0	4,595,171
B&O	0	0	0	0	0	0
Excise	3,242,094	431,421	301,995	129,426	0	4,104,936
Other	227,288	0	0	0	0	227,288
Licenses and permits	701,165	0	0	0	0	701,165
Intergovernmental	1,090,672	1,235,392	133,388	0	0	2,459,452
Charges for goods and services	2,470,271	1,772,348	219,785	5,011	0	4,467,415
Fines and forfeitures	481,312	0	0	0	273	481,585
Miscellaneous:			0			
Interest	14,818	5,530	5,090	6,587	70	32,095
Other	352,258	13,324	0	92,761	0	458,343
Total revenues	16,036,496	3,458,015	660,258	233,785	343	20,388,897
EXPENDITURES						
Current:						
General government	4,676,564	0	0	0	0	4,676,564
Public safety	5,653,297	0	0	0	0	5,653,297
Utilities and environment		0	0	0	0	0
Transportation	1,142,248	0	0	0	0	1,142,248
Economic environment	1,281,502	0	0	0	0	1,281,502
Culture and recreation	1,013,578	0	0	0	0	1,013,578
Health and human services (Soc Svcs)	343,024	0	0	0	0	343,024
Capital outlay	23,831	4,311,075	396,381	506,151	0	5,237,438
Debt service:						
Principal	0	0	0	0	620,000	620,000
Interest	0	0	62	0	332,441	332,503
Total expenditures	14,134,044	4,311,075	396,443	506,151	952,441	20,300,154
Excess (deficiency) of revenues over expenditures	1,902,452	(853,060)	263,815	(272,366)	(952,098)	88,743
OTHER FINANCING SOURCES (USES)						
Bonds Issued					(8,666,488)	(8,666,488)
Transfers In	29,209	145	0	460,000	9,655,874	10,145,228
Transfers Out	(1,348,900)	0	0	0	0	(1,348,900)
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	(1,319,691)	145	0	460,000	989,386	129,840
Net Change in fund balances	582,761	(852,915)	263,815	187,634	37,288	218,583
Fund balances-beginning	3,204,919	4,630,714	3,100,724	4,519,899	45,011	15,501,267
Prior Period Adjustment	0	0	0			0
Fund balances-ending	3,787,680	3,777,799	3,364,539	4,707,533	82,299	15,719,850

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, 2015**

Net changes in fund balances - total governmental funds	\$	218,583
---	----	---------

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	5,237,438		
Depreciation expense	(1,964,314)		3,273,124

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.	(8,132)
---	---------

Principal and other debt service costs retired

Net of Internal Service Fund Activity	(393,282)
Gain on sale of Capital Asset	16,700
Interfund Loan	(200,145)
Net Result related to GASB 68 Booking Net Pension Expense/Liability	(3,254)
Net result related to the diminution of under-utilized fund activity	399

Change in net position of governmental activities	\$	2,903,993
---	----	-----------

*The notes are an integral part of the financial statements.*

**City of Bonney Lake**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2015**

	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	13,703,471	5,788,345	2,455,187	21,947,003	3,480,430
Investments	0	0	0	0	0
Receivables	917,217	576,629	218,906	1,712,752	0
Due from other governmental units	0	0	0	0	0
Prepaid items	0	0	0	0	0
Deposits	2,274	0	0	2,274	0
Interfund loan receivable	0	200,145	0	200,145	0
Inventories	48,881	159,607	0	208,488	0
Restricted assets:					
Cash and cash equivalents	3,000	2,540	0	5,540	0
Total current assets:	<u>14,674,843</u>	<u>6,727,266</u>	<u>2,674,093</u>	<u>24,076,202</u>	<u>3,480,430</u>
Noncurrent assets:					
Interfund loan receivable	0	200,145	0	200,145	0
Noncurrent - deposits	0	0	0	0	0
Noncurrent receivable	0	636	0	636	0
Capital assets:					
Land	1,841,124	690,091	142,155	2,673,370	0
Construction in progress	1,813,362	1,118,648	71,232	3,003,242	0
Buildings	5,201,956	5,575,821	9,683	10,787,460	0
Leasehold improvements	0	19,422,000	0	19,422,000	0
Improvements other than buildings	51,579,960	5,726,040	7,840,994	65,146,994	0
Machinery and equipment	49,947	814,364	3,279	867,590	6,049,040
Intangible asset	9,244,346	16,265,188	172,222	25,681,756	0
Accumulated depreciation	<u>(21,138,732)</u>	<u>(17,877,228)</u>	<u>(2,650,603)</u>	<u>(41,666,563)</u>	<u>(4,277,236)</u>
Total noncurrent assets:	<u>48,591,963</u>	<u>31,935,705</u>	<u>5,588,962</u>	<u>86,116,630</u>	<u>1,771,804</u>
Total assets	<u>63,266,806</u>	<u>38,662,971</u>	<u>8,263,055</u>	<u>110,192,832</u>	<u>5,252,234</u>
Deferred Outflows of Resources					
Deferred Outflows - pension	94,488	63,503	32,491	190,482	11,583
Total deferred Outflows of resources	<u>94,488</u>	<u>63,503</u>	<u>32,491</u>	<u>190,482</u>	<u>11,583</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	350,786	409,303	10,415	770,504	46,245
Due to other governments	38	0	0	38	0
Deposits	2,276	0	0	2,276	0
Accrued Interest Payable	115,655	0	0	115,655	0
Current portion of long-term debt	1,790,665	1,063,602	0	2,854,267	0
Other Liabilities	<u>116,513</u>	<u>228,157</u>	<u>29,125</u>	<u>373,795</u>	<u>10,551</u>
Total current liabilities:	<u>2,375,933</u>	<u>1,701,062</u>	<u>39,540</u>	<u>4,116,535</u>	<u>56,796</u>
Non current liabilities:					
Compensated absences	108,514	78,191	30,309	217,014	9,448
Revenue bonds payable	1,094,700	240,300	0	1,335,000	0
Public Works Trust Fund payable	7,818,290	9,857,187	0	17,675,477	0
Deposits - Noncurrent	<u>(282,338)</u>	<u>0</u>	<u>0</u>	<u>(282,338)</u>	<u>0</u>
Contract payable for purchase of water rights	782,446	0	0	782,446	0
Net Pension Liability	<u>372,883</u>	<u>250,610</u>	<u>128,225</u>	<u>751,718</u>	<u>45,712</u>
Total Non current liabilities:	<u>9,894,495</u>	<u>10,426,288</u>	<u>158,534</u>	<u>20,479,317</u>	<u>9,448</u>
Total liabilities	<u>12,270,428</u>	<u>12,127,350</u>	<u>198,074</u>	<u>24,595,852</u>	<u>66,244</u>
Deferred Inflows of Resources					
Deferred Inflows - pension	99,542	66,901	34,230	200,673	12,203
Total deferred Inflows of resources	<u>99,542</u>	<u>66,901</u>	<u>34,230</u>	<u>200,673</u>	<u>12,203</u>
<b>NET POSITION</b>					
Net investment in capital assets	37,105,862	20,573,835	5,588,962	63,268,659	1,771,804
Restricted for debt service	0	0	0	0	0
Restricted for replacement	0	0	0	0	3,367,854
Restricted for insurance	0	0	0	0	0
Unrestricted	<u>13,885,462</u>	<u>5,958,388</u>	<u>2,474,280</u>	<u>22,318,130</u>	<u>0</u>
Total net position	<u>50,991,324</u>	<u>26,532,223</u>	<u>8,063,242</u>	<u>85,586,789</u>	<u>5,139,658</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, 2015**

	Business-type Activities - Enterprise Funds				
	401 Water	402 Sewer	415 Stormwater	Total Proprietary Funds	Gov. Activities Internal Service Funds
OPERATING REVENUES					
Charges for goods and services	8,174,848	6,447,244	1,719,292	16,341,384	\$ 907,112
Total operating revenues	8,174,848	6,447,244	1,719,292	16,341,384	907,112
OPERATING EXPENSES					
Repairs & Maintenance	1,415,479	4,757,347	423,003	\$ 6,595,829	351,193
Other Supplies & Expenses	2,850,640	2,082,364	29,380	\$ 4,962,384	339,594
Personal Services	745,051	1,177,425	827,132	2,749,608	94,233
Insurance	-	-	-	-	-
Taxes	1,097,936	682,005	-	1,779,941	-
Depreciation	1,666,629	1,348,366	156,205	3,171,200	506,487
Total operating expenses	7,775,735	10,047,507	1,435,720	19,258,962	1,291,507
Operating income (loss)	399,113	(3,600,263)	283,572	(2,917,578)	(384,395)
Nonoperating revenues (expenses):					
Gain / (Loss) on retirement of assets	-	-	-	-	16,700
Investment earnings	19,166	9,749	3,232	32,147	-
Miscellaneous revenue	28,999	(6,001)	9	23,007	17,876
Pension Expense	(251)	(170)	(87)	(508)	(32)
Grant income	-	-	-	-	-
Interest and other debt service cost	(141,549)	(67,069)	-	(208,618)	-
Total non operating revenue	(93,635)	(63,491)	3,154	(153,972)	34,544
Income (loss) before contributions and transfers	305,478	(3,663,754)	286,726	(3,071,550)	(349,851)
Capital contributions	-	-	-	-	-
Transfers in	6,303	206,373	1,578	214,254	2,045
Transfers out	-	-	-	-	(45,508)
Change in net position	311,781	(3,457,381)	288,304	(2,857,296)	(393,314)
Net position-beginning	50,205,227	29,848,102	7,717,296	87,770,625	5,579,272
Restatement per GASB 68 implementation	(377,686)	(253,838)	(129,877)	(761,401)	(46,300)
Prior period adjustment	852,002	395,340	187,519	1,434,861	-
Net position-ending	\$ 50,991,324	\$ 26,532,223	\$ 8,063,242	85,586,789	\$ 5,139,658

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, 2015**

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	WATER	SEWER	STORM	TOTAL	
Cash flows from operating activities:					
Receipts from customers and users	\$ 7,260,975	\$ 6,757,029	\$ 1,631,744	\$ 15,649,748	\$ 907,112
Payments for taxes	(1,097,936)	(682,005)		(1,779,941)	-
Payments to employees	(852,431)	(1,148,373)	(802,253)	(2,803,057)	(87,005)
Payments for goods and services	(4,266,119)	(7,209,713)	(467,188)	(11,943,020)	(687,049)
Net cash provided (used) by operating activities	1,044,489	(2,283,062)	362,303	(876,270)	133,058
Cash flows from noncapital financing activities:					
Grants and contributions	-	-	-	-	-
Interfund loan payments	-	200,145	-	200,145	-
Nonoperating miscellaneous revenue	28,999	(6,001)	9	23,007	(25,587)
Net cash provided (used) by Noncapital financing	28,999	194,144	9	223,152	(25,587)
Cash flows from capital and related financing activities:					
Proceeds from capital debt		2,094,898	-	2,094,898	-
Debt principal payments	(1,853,371)	(989,693)	-	(2,843,064)	-
Interest paid on debt	(141,549)	(67,069)	-	(208,618)	-
Proceeds from sales of equipment or vehicles	-	-	-	-	16,700
Payment for capital acquisitions	(795,110)	(814,268)	(61,952)	(1,671,330)	(256,696)
Net cash provided (used) by capital and related financing activities	(2,790,030)	223,868	(61,952)	(2,628,114)	(239,996)
Cash flows from investing activities:					
Interest income	19,166	9,749	3,232	32,147	32
Other	852,002	395,340	187,519	1,434,861	-
Net cash provided (used) by investing activities	871,168	405,089	190,751	1,467,008	32
Net Increase (decrease) in cash and cash equivalents	(845,374)	(1,459,961)	491,111	(1,814,224)	(132,493)
Cash and cash equivalents, beginning of year	14,554,119	7,250,846	1,964,076	23,769,041	3,612,955
Cash and cash equivalents, end of the year	\$ 13,708,745	\$ 5,790,885	\$ 2,455,187	\$ 21,954,817	\$ 3,480,462
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 399,113	\$ (3,600,263)	\$ 283,572	(2,917,578)	\$ (384,395)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,666,629	1,348,366	156,205	3,171,200	506,487
Changes in assets and liabilities:					
(Increase) decrease in customer accounts receivable	(903,022)	316,013	(85,970)	(672,979)	-
(Increase) decrease in interfund loan receivable /Transfer In/Out	(6,303)	(6,228)	(1,578)	(14,109)	-
(Increase) decrease in prepaids	261,219	-	-	261,219	(1,889)
(Increase) decrease in inventory			-	-	-
Increase (decrease) in accounts payable	(311,977)	(370,002)	(14,805)	(696,784)	5,627
Increase (decrease) in deposits	(723)	-	-	(723)	-
Increase (decrease) in payroll payable	(107,380)	1,335	(5,430)	(111,475)	-
Increase (decrease) in compensated absences	46,933	27,717	30,309	104,959	7,228
Increase (decrease) in due to other governments		-	-	-	-
Net cash provided by operating activities	1,044,489	(2,283,062)	362,303	(876,270)	\$ 133,058

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, 2015**

**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.

Effective for fiscal year 2015, the City implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. This statement replaces earlier guidance on accounting and financial reporting for the activities of pension plans that are administered through trusts.
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement is an amendment for GASB Statement No. 68 and is required to be implemented at the same time.

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

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.

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.

Special Revenue funds for revenues derived from specific taxes, grants or other sources. They are assigned to financing specific activities of the City.

Debt Service Funds account for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligation of the governmental funds.

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.

### **C. Measurement Focus, Basis of Accounting**

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, property 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.

### **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 does 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, 2015, the City holding \$40,093,273 as cash and cash equivalents. This includes \$34,362,457 in investments and \$5,730,816 in 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. See Note 2 for additional information on property taxes.

Special assessments are 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, 2015, \$3,336.85 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.

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

<b>Asset Type</b>	<b>Years</b>
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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 9. 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.

The City recognizes that compensated absences was reported in the Notes and the Financials, in error, as two separate amounts for 2014. This has been reconciled and is reported accurately in both places.

#### 10. Other accrued liabilities

These accounts consist of accrued wages and accrued employee benefits.

#### 11. Long-Term Obligations

See Note 6, Long-Term Debt

#### 12. 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.

#### 13. Fund Balance Classification

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

- a) *Non-spendable*- amounts that cannot be spent either because they are non-spendable 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.

2015 Fund Balance Classification						
		General Fund	Street Construction Fund	Park Construction Fund	General Construction Fund	Other Governmental Funds
<b>Restricted</b>						
	Restr Cash-	613,085				
<b>Committed</b>						
	Due to other governments	3,559				
	Interfund Loan			200,145		
	Drug Invest. Fund/Debt Service					82,299
<b>Assigned</b>						
		0	3,777,799	3,164,394	4,707,533	
<b>Unassigned</b>						
		3,171,036	0	0	0	0
<b>Total Fund Balance</b>		<b>3,787,680</b>	<b>3,777,799</b>	<b>3,364,539</b>	<b>4,707,533</b>	<b>82,299</b>

**NOTE 2 – PROPERTY TAXES**

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

Property Tax Calendar	
January 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 2015 was \$1.433 per \$1,000 of assessed valuation of \$1,979,637,505 for a total regular levy of \$2,837,654.

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, 2015, the City's total deposits and cash equivalents, including investment in the Local Government Investment Pool, consist of the following:

Operating Accounts	\$ 5,730,816
Local Government Investment Pool	\$34,362,457

**B. Investments**

During 2015, 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, 2015 the City had a fair value of investment in the LGIP amounted to \$34,362,457.

**NOTE 4 – CAPITAL ASSETS**

A summary of capital assets activity for the year ended December 31, 2015 is as follows:

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 13,744,355	\$ -	\$ -	\$ -	\$ 13,744,355
Construction in progress	2,332,981	-	4,264,021	(2,152,473)	4,444,529
Total capital assets, not being depreciated	16,077,336	-	4,264,021	(2,152,473)	18,188,884
Capital assets, being depreciated:					
Buildings	12,033,881	-	12,388	-	12,046,269
Improvements other than buildings	16,099,793	-	2,171,308	-	18,271,101
Machinery and equipment	2,872,844	-	477,391	-	3,350,235
Rolling Stock	5,792,346	-	256,696	-	6,049,042
Infrastructure	17,541,221	-	-	-	17,541,221
Total capital assets being depreciated	54,340,085	-	2,917,783	-	57,257,868
Less accumulated depreciation for:					
Buildings	(5,068,993)	-	(512,807)	-	(5,581,800)
Improvements other than buildings	(2,636,305)	-	(806,466)	-	(3,442,771)
Machinery and equipment	(2,244,615)	-	(154,025)	-	(2,398,640)
Rolling Stock	(3,770,751)	-	(506,487)	-	(4,277,238)
Infrastructure	(8,856,580)	-	(491,016)	-	(9,347,596)
Total accumulated depreciation	(22,577,244)	-	(2,470,801)	-	(25,048,045)
Total capital assets, being depreciated, net	31,762,841	-	446,982	-	32,209,823
Governmental activities capital assets, net	\$ 47,840,177	\$ -	\$ 4,711,003	\$ (2,152,473)	\$ 50,398,707

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	2,673,369	\$ -	\$ -	\$ -	\$ 2,673,369
Construction in progress	3,851,166	-	1,570,901	(2,418,825)	3,003,242
Total capital assets, not being depreciated	6,524,535	-	1,570,901	(2,418,825)	5,676,611
Capital assets, being depreciated:					
Buildings	8,801,385	-	1,986,075	-	10,787,460
Leasehold Improvements	19,422,000	-	-	-	19,422,000
Improvements other than buildings	64,613,815	-	533,179	-	65,146,994
Machinery and equipment	867,590	-	-	-	867,590
Intangible assets	25,681,757	-	-	-	25,681,757
Total capital assets being depreciated	119,386,547	-	2,519,254	-	121,905,801
Less accumulated depreciation for:					
Buildings	(1,808,447)	-	-	(174,389)	(1,982,836)
Leasehold Improvements	(5,583,825)	-	-	(485,550)	(6,069,375)
Improvements other than buildings	(16,978,425)	-	-	(1,363,528)	(18,341,953)
Machinery and equipment	(853,881)	-	-	(2,954)	(856,835)
Intangible assets	(13,270,785)	-	-	(1,144,779)	(14,415,564)
Total accumulated depreciation	(38,495,363)	-	-	(3,171,200)	(41,666,563)
Total capital assets, being depreciated, net	80,891,184	-	2,519,254	(3,171,200)	80,239,238
Business-type activities capital assets, net	\$ 87,415,719	\$ -	\$ 4,090,155	\$ (5,590,025)	\$ 85,915,849

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

Governmental activities:	
General government	\$ 479,519
Public safety	\$ 523,519
Physical Environment	259,545
Transportation	960,070
Health & Human Services	22,869
Economic Environment	3,683
Culture & Recreation	221,596
Total depreciation expense - governmental activities	<u>\$ 2,470,801</u>
Business-type activities:	
Water	\$ 1,666,629
Sewer	1,348,366
Stormwater	156,205
Total depreciation expense - business type activities	<u>\$ 3,171,200</u>

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

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

<b><i>Governmental Activities</i></b>	Spent-to-Date	Remaining Commitment
<b>Streets Capital Projects (301)</b>		
Overlay Angeline Rd. S.	\$ 404,391	\$ 109
Angeline 111- Panorama Overlay	73,732	19,268
DT 186th Corridor St Improvements	517,629	2,492,371
Sumner BuckleyHwy -SR 410 to Main St. Intersection	3,748,457	9,501,543
214th Ave Intersection Imprmt	829,794	887,206
Sidewalks Compliance (Fed Mand)	-	53,000
Main Street/SR 410 Intersection	2,805,434	18,566
Subtotal Street Capital Improvement Fund	8,379,437	12,972,063
<b>Parks Capital Projects (302)</b>		
Fennel Creek Trail / Safe Routes - Sidewalks	1,465,915	657,085
Allen York Park Improvements	10,000	265,000
Ballfield Lighting (AYP)	-	50,000
Lake Tapps Sidewalk	-	17,000
Fennel Creek Trail - Segment 2	168,443	906,557
Subtotal Parks Capital Improvement Fund	1,644,358	1,895,642
<b>General Government Capital Projects (320)</b>		
Civic Center	115,382	134,618
	-	
Subtotal General Government Capital Improvement Fund	115,382	134,618
<b>Total Governmental Funds</b>	<b>\$ 10,139,178</b>	<b>\$ 15,002,322</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	591,604	8,365,396
SCADA Telemetry Upgrade	\$ 171,183	457,782
Lakeridge 810 Zone - H2O Main Upgrade	1,352,548	2,797,452
Reed Property- Water Rights/Building Improvements	89,751	70,249
Leaky Mains Phase 2F	406,489	93,511
Emergency Generator Bldg-Tacoma Point	5,854	94,147
184th Locust Water Main Replacement	270,028	25,972
Victor Falls Watershed	-	200,000
Grainger Springs Upgrades Bldg	33,671	1,307,329
24th St. Water Main replacement	10,930	51,570
Flume Trestle Rehabilitaion	29,747	95,253
Water Extension Looping (PWC)	-	105,000
Inlet Isl-Interlake Isl Wtr Main Replcmt	7,404	2,596
Subtotal Water Fund Projects	2,969,208	13,666,257
<b>Sewer Fund Projects (402)</b>		
Public Works Facility	\$ 71,823	\$ 5,752,177
SCADA Telemetry Upgrade	\$ 283,755	\$ 1,106,408
Eastown N.Gravity Extention 214th-216th	249,705	450,295
SR410 Pedestrian Improv-Trunk Line Replacement	242,971	157,029
Sumner WWTP Upgrage	7,746,553	3,827,184
Fennel Creek Lift Station	152,186	1,347,814
Flume Trestle Rehabilitation	29,747	95,253
Sewer Extension at 266th (PWC)	-	75,000
Falling Waters Trunk Line Improvements	24,564	56,636
Eastown Southern ULA Sewer Improvements	85,442	414,558
Lift Station 9 Improvements	8,428	84,572
Subtotal Sewer Fund Projects	8,895,175	13,366,925
<b>Stormwater Fund Projects (415)</b>		
Public Works Facility	18,628	2,741,372
Church Lake Rd. Culvert Replacement	52,604	657,396
Water Quality Treatment Upgrade	-	50,000
Regional Storm Pond (Locust & 82nd)	-	215,000
Subtotal Stormwater Fund Projects	71,232	3,663,768
<b>Total Business-Type Activities</b>	<b>11,935,615</b>	<b>30,696,950</b>
<b>Total All Funds</b>	<b>\$ 22,074,793</b>	<b>\$ 45,699,272</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. In March 2015, the 2008 General Obligation Bond and the Motorola Contract were rolled into the 2015 Refunding Issue. A portion of the 2008 GO Bond was not included in the refunding issue due to call dates.

At December 31, 2015, the general obligation bonds payable consist of the following issue for governmental activities:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2015 LTGO	18 Yrs.	3.50% avg	7,885,000	315,000
2008 LTGO	4 yrs	3.15-4.5%	955,000	305,000

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

2015 LTGO	Governmental Activities	
Year Ending	Principal	Interest
2016	230,000	279,550
2017	235,000	274,950
2018	470,000	267,900
2019	375,000	253,800
2020	385,000	242,550
2021-2025	2,125,000	1,006,600
2026-2030	2,570,000	552,400
2031-2032	1,180,000	71,200
Totals	7,570,000	2,948,950

<b>2008 LTGO</b>	<b>Governmental Activities</b>	
Year Ending	Principal	Interest
2016	320,000	26,000
2017	330,000	13,200
Totals	650,000	39,200

### 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
2007 Revenue Bonds	12 yrs.	3.5% - 4.0%	4,570,000	465,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2016	475,000	72,820
2017	495,000	53,820
2018	415,000	34,020
2019	425,000	17,213
Totals	1,810,000	177,873

### 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, 2015, the Public Works Trust Fund loans payable consist of the following:

Fund	Loan#	Description	Due in 1 Year (2016)	Due in More Than 1 Year	12/31/2015 O/S Bal
401	PW-97-791-017	Ponderosa Reservoir #2 - Construction	50,468	50,468	100,936
401	PW-98-78898-07	Corrosion Control Facility	14,974	44,923	59,898
401	PW-98-78898-08	Lakeridge Booster Pump Station	37,657	112,972	150,629
401	PW-98-791-006	Ponderosa Reservoir #2 - 800 Zone Overflow Construction	14,995	29,991	44,986
401	PW-00-691-008	McGhee Water Main Replacement	38,306	153,226	191,532
401	PW-03-691-003	Spring Sources Water Quality Treatment Facilities	63,715	446,008	509,724
401	PW-04-691-008	Ball Park Well Water Quality Treatment Facility	178,676	1,429,412	1,608,089
401	PW-04-691-009	Leak Reduction Program	247,456	1,979,645	2,227,101
401	PW-05-96-791-004	Church Lake/Inlet Island Watermain Replacement	66,057	0	66,057
401	PW-PC-08-951-004	Leak Reduction Program Phase II	297,637	3,571,645	3,869,282
402	PW-02-691-006	Sumner Sewer Treatment Plant Upgrade	373,047	2,238,282	2,611,329
402	PW-04-691-007	Sumner Sewer Treatment Plant Upgrade	105,450	843,600	949,050
402	PW-06-962-ELP-302	Emergency Sewer Main Replacement	26,316	263,158	289,473
402	PW-PC-08-951-005	Reconstruct Trunk Sewer to Sumner WWTP	195,732	2,348,780	2,544,512
402	PC-12-951-045	Sumner/Bonney Lake Wastewater Treatment Plant Upgrade	277,558	4,163,367	4,440,925
		<b>Totals</b>	<b>1,988,045</b>	<b>17,675,477</b>	<b>19,663,523</b>

#### Installment Contracts

At December 31, 2015, there were no installment contracts. The Motorola Contract was included in the 2015 Refunding Bond Issue. The City of Tacoma contract ended in 2015 with a principal payment of \$462,128.

#### 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, 2015 is as follows:

Lending Fund	Borrowing Fund	Balance at 1/1/2015	Additions	Reductions	Balance at 12/31/15
Sewer Fund	Park CIP	400,290		200,145	200,145

Interfund contract debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2016	200,145	263
<b>Totals</b>	<b>200,145</b>	<b>263</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, 2015, 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
2016	391,222
2017	391,222
2018	391,224
<b>Totals</b>	<b>1,173,668</b>

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

Governmental Activities Description	Beginning Bal. 1/1/2015			Ending Balance 12/31/2015	Due in One Year
		Additions	Reductions		
2008 GO Debt	8,105,000		7,455,000	650,000	320,000
Motorola 800 Mhz	738,850		738,850	0	0
2015 LTGO	0	7,885,000	315,000	7,570,000	230,000
OPEB Payable	88,796	25,542	0	114,338	
Compensated Absences	949,922		111,817	838,105	
Pension Liability	0	147,018		147,018	
<b>Total Governmental Activities</b>	<b>9,882,568</b>	<b>8,057,560</b>	<b>8,620,667</b>	<b>9,319,461</b>	<b>550,000</b>
Business Type Activities					
Public Works Trust Fund Loans:					
PW 97-791-017 Ponderosa Const	151,404		50,468	100,936	50,468
PW 98-78898-07 Corrosion Control	74,872		14,974	59,898	14,974
PW 98-78898-08 Lakeridge Pmp Sta.	188,287		37,657	150,630	37,657
PW 98-791-006 Ponderosa Overflow	59,981		14,996	44,985	14,995
PW 00-691-008 McGhee Drive Water	229,838		38,306	191,532	38,306
PW 03-691-003 Spring Source H2O	573,440		63,715	509,725	63,715
PW 04-691-008 Ballpark Well treatmnt	1,786,766		178,676	1,608,090	178,676
PW 04-691-009 Leak Reduction Pgm	2,474,556		247,455	2,227,101	247,456

PW 5-96-791-004 Church Lake Main	132,114		66,057	66,057	66,057
PC 08-951-004 Leak Reduction II	4,166,920		297,637	3,869,283	297,637
PW 02-691-006 Sumner Trt Plnt	2,984,376		373,047	2,611,329	373,047
PW 04-691-007 Sewer Trt Plnt Upgde	1,054,500		105,450	949,050	105,450
PW 06-962-ELP-302 Reconst Sewr to	315,789		26,316	289,473	26,316
PC 08-951-005 Reconstruct Swr line	2,740,244		195,732	2,544,512	195,732
PC 12-951-045 Waste Water Treatment Plnt	2,551,504	2,094,869	205,448	4,440,925	277,558
Sutotoal Trust Fund Loans	19,484,591	2,094,869	1,915,934	19,663,526	19,880,044
2007 Water/Sewer Refunding Bonds	2,275,000		465,000	1,810,000	389,500
City of Tacoma Syst Dev Chgs	462,128		462,128	0	0
Cascade Water Alliance	1,564,890		391,222	1,173,668	391,222
Pension Liability	0	952,391	0	952,391	
Compensated Absences	114,277	102,737	0	217,014	
Subtotal Other Debt	4,416,295	1,055,128	1,318,350	4,153,073	780,722
<b>20,660,766Total Business Type Activities</b>	<b>23,900,886</b>	<b>3,149,997</b>	<b>3,234,284</b>	<b>23,816,599</b>	<b>20,660,766</b>

**NOTE 9 – PENSION PLANS**

The Following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2015:

Aggregate Pension Amounts - All Plans		
Pension liabilities	\$	(6,897,370.00)
Pension Assets	\$	7,261,130.00
Deferred outflows of resources	\$	1,019,560.00
Deferred inflows of resources	\$	(1,236,874.00)
Pension expense/expenditures	\$	(146,446.00)

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 2014, PERS Plan 2/3 employee contributions were \$374.8.0 million, and plan refunds paid out were \$700 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 1,325 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2015:

Retirees and Beneficiaries Receiving Benefits	88,846
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	31,716
Active Plan Members	152,461
<b>Total Membership</b>	<b>273,023</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, 2015, are as follows:

Members Not Participating in JBM:

	<i>PERS Plan 1</i>	<i>PERS Plan 2</i>	<i>PERS Plan 3</i>
Employer*	11.18%**	11.18%**	11.18%***
Employee	6.00%****	6.12%****	*****

\* 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*	13.68%	13.68%	13.68%**
Employer-Local Gov't Units*	11.18%	11.18%	11.18%**
Employee-State Agency	9.76%	12.80%	7.50%***
Employee-Local Gov't Units	12.26%	15.30%	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:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2015	\$ 17,988	\$580,378	\$76,944
2014	\$ 19,615	\$525,006	\$62,921
2013	\$18,350	\$441,256	\$55,838
2012	\$15,994	\$384,657	\$52,402

### **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:

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
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 48 participating employers in LEOFF As of June, 2015. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2014<sup>1</sup>:

Inactive and Beneficiaries Receiving Benefits	7,605
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members Vested	120
<b>Total</b>	<b>7,727</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 2015, the state contributed \$58.3 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
2015	\$0	\$151,552
2014	\$0	\$145,280
2013	\$0	\$136,778
2012	\$0	\$132,254

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

## **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

## **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

**Sensitivity of NPL**

The table below presents the city's proportionate share\* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$ 4,003,665	\$ 3,288,424	\$ 2,673,383
PERS 2/3	7,921,838	2,709,199	(1,281,924)
LEOFF 1	(70,096)	(109,567)	(143,208)
LEOFF 2	(1,041,894)	(1,040,401)	(2,607,407)

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the city reported a total pension liability of \$5,245,905. for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$ 3,288,424.
PERS 2/3	1,957,481.
LEOFF 1	0
LEOFF 2	0

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the city. The amount recognized by the city as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the city were as follows:

	<b>Liability (or Asset)</b>
LEOFF 2 – employer’s proportionate share	
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	
TOTAL	

At June 30, the city’s proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share 6/30/14</b>	<b>Proportionate Share 6/30/15</b>	<b>Change in Proportion</b>
PERS 1	% 0.05864	% 0.062865	% 0.004225
PERS 2/3	0.069788	0.075823	0.006035
LEOFF 1	0.009016	0.009091	0.000075
LEOFF 2	0.092257	0.101226	0.008969

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal

year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2015, the city recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 120,571
PERS 2/3	1,833
LEOFF 1	(22,240)
LEOFF 2	(102,909)
<b>TOTAL</b>	<b>(2,745)</b>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 0
Changes of assumptions	\$ 0	
Changes in proportion and differences between contributions and proportionate	\$ 0	\$ 179,913
		\$ 0
		\$



share of contributions		
Contributions subsequent to the measurement date	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 164,590</b>	<b>\$ 179,913</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 287,989	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 723,228
Changes of assumptions	\$ 4,365	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 686,497</b>	<b>\$ 723,228</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 18,497
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 18,497</b>

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,104	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ 315,236
Changes of assumptions	\$ 2,744	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$
Contributions subsequent to the measurement date	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 168,474</b>	<b>\$ 362,133</b>

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 2/3
2016	\$ 59,129
2017	\$ 59,129
2018	\$ 59,129
2019	\$ 59,129
2020	\$ 14,782
Thereafter	\$ 14,782

Year ended December 31:	LEOFF 2
2016	\$ (9,151)
2017	\$ (9,151)
2018	\$ (9,151)
2019	\$ (9,151)
2020	\$ (9,151)
Thereafter	\$ (1,144)

**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 2014, there were over 270 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, 2015 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 \$8,164 at December 31, 2015. For the City's single retired LEOFF 1 member, the City purchased health insurance from the United Benefit Trust, Jan-July for \$7,231 and Aug-Dec \$933 we paid the new Provider, LEOFF TRUST Health & Welfare. The retired law enforcement employee received a benefit contribution of \$8,164 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 12/31/2015</b>
<b>Determination of Required Annual Contribution</b>	
Normal Cost	0
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	38,141
Annual Required Contribution (ARC)	38,141
<b>Determination of Net OPEB Obligation</b>	
Annual Required Contribution (ARC)	38,141
Interest on Net OPEB Obligation	3,659
Net OPEB Obligation Amortization	(8,094)
Annual OPEB Cost	33,706
Contributions Made	8,164
Increase in Net OPEB	41,870
Net OPEB Obligation - January 1, 2015	88,796
Net OPEB Obligation - December 31, 2014	114,338

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>
2015	33,706	8,164	24.2.0%	114,338
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 \$424,065 and the actuarial valuation of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$424,065.

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, 2015, more than 270 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 179 members.

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

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

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

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

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

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

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

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 one pending lawsuits that would not be covered by insurance. It is as follows:

*Thun v. City of Bonney Lake, Pierce County Superior Court*

Lawsuit by an owner of property within the City that was rezoned in 2005 from commercial to residential/conservation. The property is on a steep hillside, which the City Council in 2005 concluded was unsuitable for high density development. The property owners allege the rezone is a "taking" of their property without just compensation.

The City has one pending lawsuit that should be covered by insurance. It is as follows:

*Vanderhoof v. City of Bonney Lake, Pierce County Superior Court*

Lawsuit by a former employee over a rear-end accident involving a city vehicle in which the Plaintiff was driving while an employee of the City.

### **NOTE 14 – INTERFUND BALANCES AND TRANSFERS**

In an effort to close out Fund 502, our internal service Insurance Fund, transfers were needed into the 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). Fund 202 was established for Debt Service and therefore funds were transferred from the General Fund (001) to Debt Service Fund (202). There was also an interfund transfer from the General Fund (001) to the Water Fund (401) for an Interfund loan. This loan will be fully paid by Dec, 31 2016.

Interfund transfers at December 31, 2015 were as follows:

	<u>TRANSFER IN:</u>	<u>TRANSFER OUT:</u>
Sewer Fund	\$200,145	
General Fund		\$200,145
General Gov't Construction Fund	\$460,000	
General Fund		\$460,000



Debt Service Fund	\$888,900	
General Fund		\$888,900
Insurance Fund	-	\$45,508
General Fund	\$29,209	
Water Fund	\$6,303	
Sewer Fund	\$6,228	
Stormwater Fund	\$1,578	
ER&R Fund	\$2,045	
Street Construction Fund	\$145	

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

The City is recognizing a couple prior period adjustments. In the governmental fund statements and statement of activities we have no Prior Period Adjustments. In the proprietary fund statements and the statement of activities the following adjustments were recognized: \$852,002, in the Water Fund #401, \$395,340 in the Sewer Fund #402 & \$187,519 in our Storm Fund #415. All three of these adjustments are to correct beginning A/R balances that were not brought forward in 2011.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of December 31, 2015

	<u>2015</u>
Employer's proportion of the net pension liability (asset) %	0.062865%
Employer's proportionate share of the net pension liability \$	3,288,424
 LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer \$	 0
 TOTAL \$	 3,288,424
 Employer's covered employee payroll \$	 6,575,108
 Employer's proportionate share of the net pension liability as a percentage of covered employee payroll %	 50.01%
 Plan fiduciary net position as a percentage of the total pension liability %	 1.9995

*See note 2 of DRS Participating Employer Financial  
Information report for these percentages for each  
plan*

**Notes to Schedule:**

*NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc  
using discount rate that is 1-percentage point  
lower (6.5) or 1-percentage point high (8.5) than  
current rate*

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2, PERS 3  
As of December 31, 2015

	<u>2015</u>
Employer's proportion of the net pension liability (asset) %	0.075823%
Employer's proportionate share of the net pension liability \$	1,957,481
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer \$	
TOTAL \$	1,957,481
Employer's covered employee payroll \$	6,575,108
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll %	29.77%
Plan fiduciary net position as a percentage of the total pension liability %	3.3590

*See note 2 of DRS Participating Employer Financial  
Information report for these percentages for each  
plan*

**Notes to Schedule:**

*NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc  
using discount rate that is 1-percentage point  
lower (6.5) or 1-percentage point high (8.5) than  
current rate*

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 1  
As of December 31, 2015

	<u>2015</u>
Employer's proportion of the net pension liability (asset) %	0.009091%
Employer's proportionate share of the net pension liability \$	0
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer \$	
TOTAL \$	0
Employer's covered employee payroll \$	3,391,287
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll %	0.00%
Plan fiduciary net position as a percentage of the total pension liability %	0.00%

*See note 2 of DRS Participating Employer Financial  
Information report for these percentages for each  
plan*

**Notes to Schedule:**

*NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc  
using discount rate that is 1-percentage point  
lower (6.5) or 1-percentage point high (8.5) than  
current rate*

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 2  
As of December 31, 2015

	<u>2015</u>
Employer's proportion of the net pension liability (asset) %	0.101226%
Employer's proportionate share of the net pension liability \$	146,409
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer \$	96,806
TOTAL \$	243,215
Employer's covered employee payroll \$	3,391,287
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll %	4.32%
Plan fiduciary net position as a percentage of the total pension liability %	7.172%

*See note 2 of DRS Participating Employer Financial  
Information report for these percentages for each  
plan*

**Notes to Schedule:**

*NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc  
using discount rate that is 1-percentage point  
lower (6.5) or 1-percentage point high (8.5) than  
current rate*

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Employer Contributions  
PERS 1  
As of December 31, 2015

	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ 17,988
Contributions in relation to the statutorily or <u>contractually required contributions</u>	\$ <u>(17,988)</u>
Contribution deficiency (excess)	\$ <u>0</u>
<u>Covered employer payroll</u>	\$ 6,575,108
Contributions as a percentage of covered <u>employee payroll</u>	% 0.27%

**Notes to Schedule:**

*Both Employer & Employee made required contributions*

*Employer rates include administration expense fee currently set at 0.18%*

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Employer Contributions  
PERS 2, PERS 3  
As of December 31, 2015

	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ 657,322
Contributions in relation to the statutorily or <u>contractually required contributions</u>	\$ <u>(657,322)</u>
<u>Contribution deficiency (excess)</u>	\$ <u>0</u>
<u>Covered employer payroll</u>	\$ 6,575,108
Contributions as a percentage of covered <u>employee payroll</u>	% 10.00%

**Notes to Schedule:**

*Both Employer & Employee made required contributions*

*Employer rates include administration expense fee currently set at 0.18%*

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Employer Contributions  
LEOFF 1  
As of December 31, 2015

	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ 0
Contributions in relation to the statutorily or <u>contractually required contributions</u>	\$ 0
<u>Contribution deficiency (excess)</u>	<u>0</u>
<u>Covered employer payroll</u>	\$ 3,391,287
Contributions as a percentage of covered <u>employee payroll</u>	% 0.00%

**Notes to Schedule:**

*Employer rates include administration expense fee  
currently set at 0.18%*

*Both Employer & Employee made required  
contributions*



**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Employer Contributions  
LEOFF 2  
As of December 31, 2015

		<u>2015</u>
Statutorily or contractually required contributions	\$	151,552
Contributions in relation to the statutorily or contractually required contributions	\$	<u>(151,552)</u>
Contribution deficiency (excess)	\$	<u>0</u>
Covered employer payroll	\$	3,391,287
Contributions as a percentage of covered employee payroll	%	4.47%

**Notes to Schedule:**

*LEOFF employees - BL Police Department*

*Number of participants: 48 (June 2015)*

*Contribution rates: Employer 5.23% - includes employer administrative expense fee currently set at 0.18%*

*Actuarial Assumptions:*

*Infaltion: 3% total economic inflation; 3.75% salary inflation*

*Salary increases: base 3.75% inflation assumption; plus growth due to promotions & longevity  
Employer & Employee met all contribution requirements*

**City of Bonney Lake**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget (Gaap) to Actual**  
**For the Year Ended December 31, 2015**

	Budget Amounts			
	Approved Original Budget <b>2015-2016</b> Biennium	Approved Revised Budget <b>2015-2016</b> Biennium	Actual Biennium Through <b>12/31/2015</b>	Variance with Final Budget Over (Under)
REVENUES				
Taxes				
Property	\$ 5,751,003	\$ 5,751,003	\$ 2,861,447	(2,889,556)
Sales	8,048,641	8,048,641	4,595,171	(3,453,470)
Excise	5,858,162	5,858,162	3,242,094	(2,616,068)
Other	256,606	256,606	227,288	(29,318)
Licenses and permits	2,432,146	2,432,146	701,165	(1,730,981)
Intergovernmental	1,588,941	1,588,941	1,090,672	(498,269)
Charges for services	5,361,571	5,361,571	2,470,271	(2,891,300)
Fines and forfeitures	1,097,030	1,097,030	481,312	(615,718)
Miscellaneous				-
Interest Earnings	25,220	25,220	14,818	(10,402)
Other	689,021	689,021	352,258	(336,763)
Total revenues	31,108,341	31,108,341	16,036,496	(15,071,845)
EXPENDITURES				
Current:				
General Government	10,130,601	10,130,601	4,676,564	(5,454,037)
Public safety	12,112,074	12,112,074	5,653,297	(6,458,777)
Utilities and environment	-	-	-	-
Transportation	2,440,300	2,440,300	1,142,248	(1,298,052)
Economic environment	3,121,294	3,121,294	1,281,502	(1,839,792)
Culture and recreation	2,024,099	2,024,099	1,013,578	(1,010,521)
Health and human services	698,099	698,099	343,024	(355,075)
Debt Service	1,780,600			-
Capital Outlay			23,831	23,831
Total expenditures	32,307,067	30,526,467	14,134,044	(16,392,423)
Excess (deficiency) of revenues over expenditures	(1,198,726)	581,874	1,902,452	1,320,578
OTHER FINANCING SOURCES (USES)				
Disposal of Capital Asset	1,200,000	1,200,000	-	(1,200,000)
Transfers in	-	-	29,209	29,209
Transfers out	(460,000)	(2,240,600)	(1,348,900)	891,700
Total other financing sources (uses)	740,000	(1,040,600)	(1,319,691)	
Net change in fund balances	(458,726)	(458,726)	582,761	
FUND BALANCES, BEGINNING	3,204,919	3,204,919	3,204,919	
PRIOR PERIOD ADJUSTMENTS	-	-	-	
FUND BALANCES, ENDING	\$ 2,746,193	\$ 2,746,193	\$ 3,787,680	

The notes are an integral part of the financial statements.

**CITY OF BONNEY LAKE**  
**Schedule of Funding Progress**  
**For the Year ended December 31, 2015**  
**for LEOFF 1 Retiree Medical Benefits**

<b>Actuarial</b>	<b>Actuarial</b>	<b>Actuarial</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Covered</b>	<b>UAAL as a</b>
<b>Valuation</b>	<b>Value of</b>	<b>Projected Unit</b>	<b>AAL</b>	<b>Ratio</b>	<b>Payroll</b>	<b>Percentage</b>
<b>Date</b>	<b>Assets</b>	<b>Credit</b>	<b>(UAAL)</b>	<b>(a/b)</b>	<b>( c )</b>	<b>of Covered</b>
	<b>(a)</b>	<b>(b)</b>	<b>(b-a)</b>			<b>((b - a)/c)</b>
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%
12/31/2015	0	424,065	424,065	0%	0	0%

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

<b>Fiscal</b>		<b>Annual</b>	<b>Percentage of</b>
<b>Year</b>		<b>Required</b>	<b>ARC</b>
<b>Ending</b>	<b>Payments</b>	<b>Contribution</b>	<b>Contributed</b>
		<b>(ARC)</b>	
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%
12/31/2015	8,164	38,141	21.4%

MCAG #0567

## CITY OF BONNEY LAKE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Year Ending December 31, 2015

## FEDERAL

GRANTOR/ FEDERAL PROGRAM TITLE	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	PASS-THROUGH AWARDS	EXPENDITURES DIRECT AWARDS	TOTAL	PASSED THROUGH TO SUBRECIPIENTS	NOTE REFERENCE
<b>U.S. DEPT. OF JUSTICE:</b>							
Bulletproof Vest Partnership Program	16.607		-	2,097	2,097		
<b>Pierce County</b>							
Edward Byrne Memorial Formula Grant Program (DEA)	16.579	-	16,133	-	16,133		
Edward Byrne Memorial Justice Assistance Grant (TNET)	16.738		19,518	-	19,518		
<b>TOTAL U.S. DEPT. OF JUSTICE</b>			<b>35,651</b>	<b>2,097</b>	<b>37,748</b>		
<b>U.S. DEPT. OF HOMELAND SECURITY</b>							
Homeland Security Grant Program							
Urban Areas Security Initiative(UASI)	97.067	#EMW-2013-SS-00025-S01	1,493	-	1,493		
<b>WA State, Traffic Safety Commission</b>							
State and Community Highway Safety (PIP)	20.600	NHTSA/WIDAC 2014/15	3,856		3,856		
State and Community Highway Safety (TZT)	20.600	WTSC 2014-15/15-16	2,404	-	2,404		
Alcohol Impaired Driving Counter measures Incentive Grant	20.601	WTSC 2014-15/15-16	3,711	-	3,711		
Occupant Protection Incentive Grants	20.602	WTSC 2014-15/15-16	824		824		
State and Community Highway Safety/Distracted Driving	20.600	WTSC 2014-15/15-16	1,185		1,185		
State and Community Highway Safety/Motorcycle Safety	20.600		2,605		2,605		
Child Safety & Child Booster Seats Incentive Grant	20.613	K313-01/03	\$ 144,390	-	144,390		
<b>WA Association of Sheriffs &amp; Police Chiefs</b>							
State and Community Highway Safety/LIDAR	20.600	WASPC 01611	2,816		2,816		
<b>TOTAL U.S. DEPT. OF TRANSPORTATION</b>			<b>161,791</b>	<b>-</b>	<b>161,791</b>		
<b>WA State, Department of Transportation</b>							
Highway Planning & Construction~ FHWA passthru	20.205	LA 8394 Fennel Crk Trail Ph#2	133,388		133,388		
Highway Planning & Construction~ FHWA passthru	20.205	LA-8612 SR 410-YMD Intersection	638,063		638,063		
<b>Sumner School District / Drug Free Communities Coalition</b>							
Drug Free Communities Support Program	93.276						
<b>WA State, Parks and Recreation Commission</b>							
Boating Safety Financial Assistance Program	97.012	LE911-421	17,329	-	17,329		
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 990,120</b>	<b>\$ 2,097</b>	<b>\$ 992,217</b>		

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

## Notes to Schedule of Expenditures of Federal Awards:

Basis of accounting - The schedule of expenditures of federal awards is prepared on the same basis of accounting as the City's financial statements. The accrual basis of accounting is used for all funds except for the governmental funds which use the modified accrual basis of accounting.

Expenditures - The amounts shown as current expenditures represent only the federal portion of program costs. Actual program costs, including the City's portion, may be more than shown.

## 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	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>