



Washington State Auditor's Office

Government that works for citizens

Financial Statements and Federal Single Audit Report

City of Marysville

Snohomish County

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

Published July 18, 2016

Report No. 1016941





Washington State Auditor's Office

July 18, 2016

Mayor and City Council
City of Marysville
Marysville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Marysville'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,

A handwritten signature in dark ink, reading "Troy X. Kelley". The signature is written in a cursive style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Marysville
Snohomish County
January 1, 2015 through December 31, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Marysville 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 of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information 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>
14.218	Community Development Block Grants/Entitlement Grants

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

The City qualified 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 Marysville
Snohomish County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Marysville
Marysville, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, Snohomish 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 June 17, 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* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As discussed in Note 14 to the financial statements, the City has changed its presentation of the Transportation Benefit District from a blended component unit to a special revenue fund for the year ended December 31, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated June 17, 2016.

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.

A handwritten signature in cursive script that reads "Troy X. Kelley". The signature is written in dark ink and is positioned above the printed name.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 17, 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 Marysville
Snohomish County
January 1, 2015 through December 31, 2015**

Mayor and City Council
City of Marysville
Marysville, Washington

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

We have audited the compliance of the City of Marysville, Snohomish 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 17, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Marysville Snohomish County January 1, 2015 through December 31, 2015

Mayor and City Council
City of Marysville
Marysville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, Snohomish 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 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marysville, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2015, the City has implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

As discussed in Note 14 to the financial statements, the City has changed its presentation of the Transportation Benefit District from a blended component unit to a special revenue fund for the year ended December 31, 2015. 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 18 through 28, budgetary comparison information on pages 67 through 68, pension plan information on pages 69 through 73 and information on postemployment benefits other than pensions on page 74 to 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 opinions 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 June 17, 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.

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TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

June 17, 2016

FINANCIAL SECTION

**City of Marysville
Snohomish 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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net
Position – 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 – 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

Statement of Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– General Fund – 2015

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Fund 101 – Street Fund – 2015

Schedule of Proportionate Share of the Net Pension Liability – 2015

Schedule of Employer Contributions - 2015

Other Post-Employment Medical Benefits (OPEB) – Schedule of Funding Progress –
2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marysville presents this discussion and analysis of its financial performance to provide an overview of the City's financial activities for fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the associated notes.

FINANCIAL HIGHLIGHTS

- Assets of the City of Marysville exceed its liabilities at the close of December 31, 2015 by approximately \$ 294 million. Of this amount approximately \$ 37 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's overall financial position increased compared to 2014. In 2015, the City's total net position increased \$ 1.0 million. Governmental activities increased by \$.6 million and business-type activities increased by \$.4 million.
- As of December 31, 2015, the City's governmental funds reported a combined ending fund balance of \$ 19.5 million, an increase of \$ 2.3 million from 2014.
- As of December 31, 2015, unassigned fund balance in the General Fund was \$ 14.8 million, or 38% of total General Fund expenditures.
- The City's total debt decreased by \$ 6.6 million during calendar year 2015. The decrease is the result of the annual debt service payment.

The financial statements presented herein include all of the activities of the City of Marysville (City), using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. 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.

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 statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. Additionally, certain eliminations have occurred in regards to interfund activity, payable and receivables.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report assets and liabilities, and do not have a measurement focus. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements included all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or spent.

These two statements report the City's net position and the corresponding changes. Net position is the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases and decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and sales tax base, major sources of revenue for most cities.

In the Statement of Net Position and the Statement of Activities, we separate the City activities as follows:

Governmental Activities – most of the City's basic services are reported in this category, including General Government, Municipal Court, Police, Fire, Engineering, Parks/Recreation, Community Development, Street Maintenance, and General Government Debt Service. Property and sales taxes, user fees, interest income, franchise fees, and state and federal shared revenues and grants generally finance these activities.

Business-Type Activities – The City's Waterworks Utility, Solid Waste, and Golf Course Funds are reported in this category. These types of activities are funded by the City charging a fee to customers to cover all or most of the cost of certain services it provides.

FUND FINANCIAL STATEMENTS

The City, like other state and local governments, uses fund accounting to account for a number of funding sources and activities. In general, fund accounting provides a mechanism for separately accounting for a variety of different funding sources, and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and the purpose: Governmental, Proprietary or Fiduciary Funds. Note that the fund financial statements also include "other governmental funds" on the governmental funds, and "other enterprise funds" on the proprietary funds. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the Government-Wide Financial Statements. This is designed to explain the difference created by the integrated approach.

Governmental Funds – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides to its citizens. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the results shown in the Governmental fund financial statements and those shown in the Government-Wide financial statements are explained in a reconciliation schedule following each Governmental Fund financial statement.

Proprietary Funds – When the City charges customers for the service it provides, whether to outside City customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds include two components 1) enterprise funds and 2) internal service funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In fact, the City's enterprise funds are the same as the business-type activities reported in the governmental-wide statement, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities – such as fleet maintenance, facility maintenance, and computer maintenance funds. Because these funds largely benefit government rather than business-type functions, they are reported with governmental activities in the government-wide financial statements.

Fiduciary Fund – The City is the trustee, or fiduciary, for certain funds held on behalf of various third parties. The City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These type of activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements immediately follow the basic financial statements in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

In evaluating the financial position of any entity the status of the entity's net position is a very useful indicator. The same is true for the City of Marysville the Statement of Net Position can be used as a financial indicator. The City's net position as of December 31, 2015 totaled \$ 294 million. The following is a condensed version of the government-wide statement of net position:

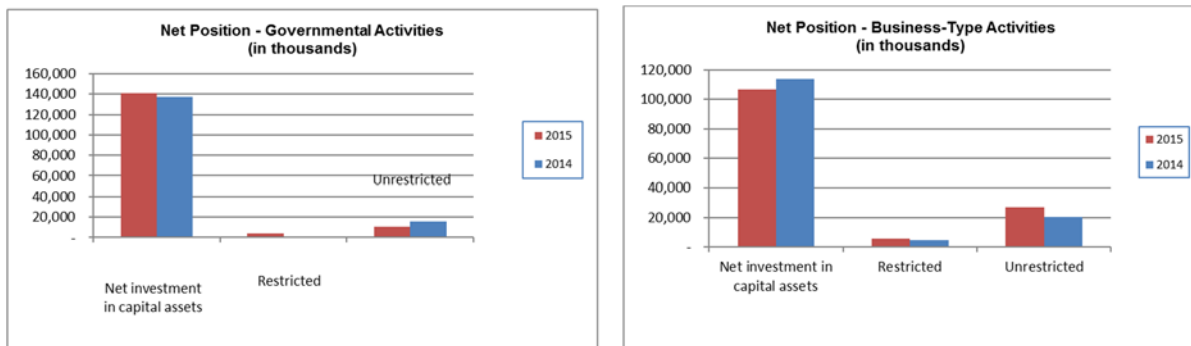
Figure 1: Condensed Statement of Net Position
(in thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	31,990	28,850	37,732	33,783	69,722	62,633
Capital assets (net of accumulated depreciation)	171,442	168,317	161,346	165,305	332,788	333,622
TOTAL ASSETS	\$ 203,432	\$ 197,168	\$ 199,077	\$ 199,088	\$ 402,510	\$ 396,255
Deferred outflows	1,512	-	1,026	627	2,539	627
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 204,945	\$ 197,168	\$ 200,103	\$ 199,715	\$ 405,048	\$ 396,883
LIABILITIES						
Current and other liabilities	6,141	7,419	832	772	6,972	8,191
Long-term liabilities	41,781	35,366	59,424	60,013	101,205	95,379
TOTAL LIABILITIES	\$ 47,922	\$ 42,785	\$ 60,255	\$ 60,785	\$ 108,177	\$ 103,570
Deferred inflows	2,055	-	576	-	2,631	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 49,977	\$ 42,785	\$ 60,831	\$ 60,785	\$ 110,808	\$ 103,570
Net investment in capital assets	140,810	137,368	106,818	114,087	247,629	251,455
Restricted	3,840	990	5,526	4,550	9,366	5,540
Unrestricted	10,319	16,025	26,927	20,293	37,246	36,318
TOTAL NET POSITION	\$ 154,968	\$ 154,382	\$ 139,272	\$ 138,930	\$ 294,240	\$ 293,313

The City's largest portion of net position, \$ 247 million or 82%, is our investment in capital assets such as land, buildings, infrastructure and equipment, less any related outstanding debt issued to purchase those assets. These assets are used to provide necessary services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, these capital assets cannot be used to repay the debt. Other resources are needed to liquidate the debt.

An additional portion of the City of Marysville's net position, \$ 9.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$ 37.2 million may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the calendar year, the City of Marysville reported positive balances in all three categories of net position, for both the Governmental Activities and Business-Type Activities.



Statement of Activities

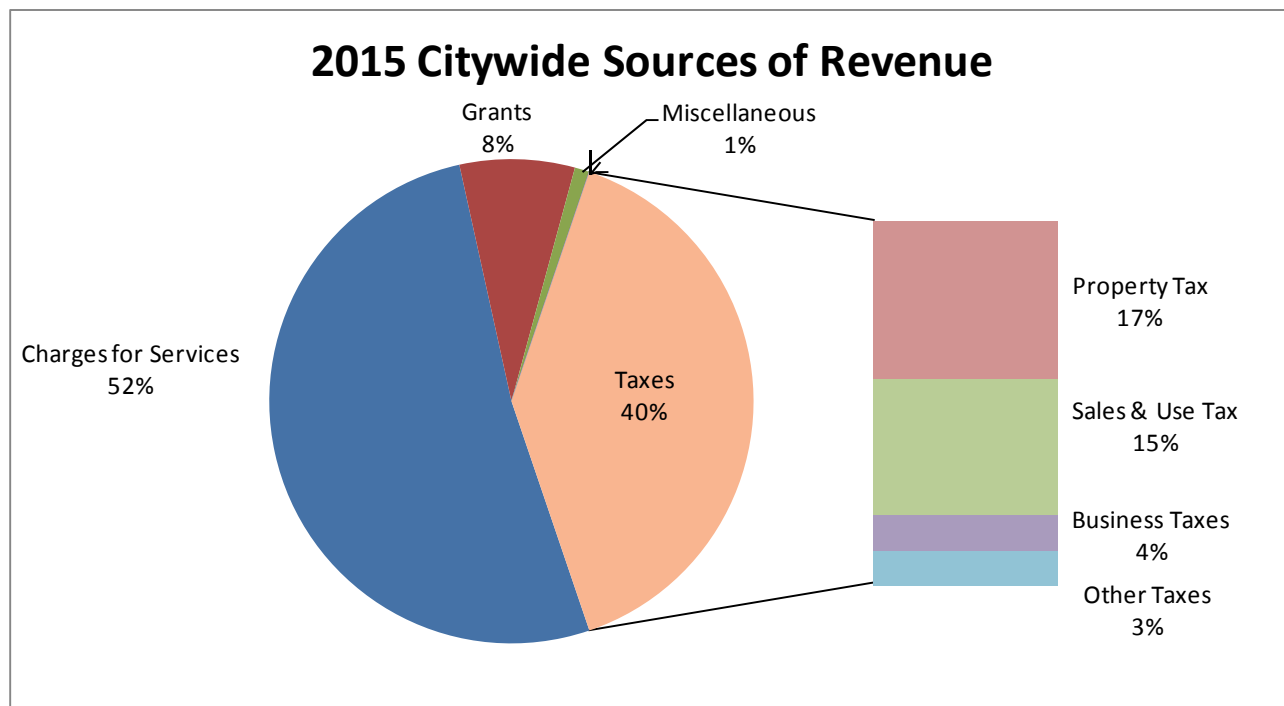
As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time. The Statement of Activities provides details on how net position changed from the beginning of the year to the end of the year and whether net position increased or decreased. Therefore the Statement of Activities provides information as to whether the City as a whole is better off financially by year end as illustrated in the following table.

Figure 2: Condensed Statement of Activities
For Year Ended December 31, 2015
(in thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenue:						
Charges for Services	\$ 8,830	\$ 9,040	\$ 38,359	\$ 34,530	\$ 47,188	\$ 43,569
Operating Grants and Contributions	5,958	3,053	70	234	6,029	3,287
Capital Grants and Contributions	273	50	771	1,561	1,044	1,611
General Revenues:						
Property Taxes	15,728	16,147	-	-	15,728	16,147
Sales Taxes	13,697	10,970	-	-	13,697	10,970
Other Taxes	6,647	6,006	-	-	6,647	6,006
Interest and Investment Earnings	180	185	108	157	288	342
Total Revenue	51,314	45,451	39,309	36,481	90,623	81,932
Program Expenses						
Governmental Activities						
Judicial	1,350	1,369	-	-	1,350	1,369
General Government	5,507	3,587	-	-	5,507	3,587
Public Safety	25,655	25,155	-	-	25,655	25,155
Physical Environment	1,076	1,012	-	-	1,076	1,012
Transportation	8,421	6,448	-	-	8,421	6,448
Economic Environment	2,256	2,135	-	-	2,256	2,135
Health	41	33	-	-	41	33
Culture & Recreation	3,160	3,165	-	-	3,160	3,165
Interest on Long-term Debt	1,224	1,454	-	-	1,224	1,454
Business-Type Activities						
Water/Sewer/Surface Water	-	-	23,038	21,912	23,038	21,912
Garbage & Solid Waste	-	-	5,352	5,339	5,352	5,339
Golf Course	-	-	1,195	1,050	1,195	1,050
Total Expenses	48,690	44,360	29,585	28,300	78,277	72,662
Increase in Net Position Before Transfers	2,623	1,090	9,724	8,181	12,346	9,271
Transfers	5,103	3,721	(5,103)	(3,721)	-	-
Increase in Net Position	7,726	4,813	4,621	4,460	12,346	9,271
Net Position - Beginning of Year	154,382	149,795	138,930	134,470	293,313	284,265
Changes in Accounting Principles-GASB 68	(7,140)	-	(4,279)	-	(11,419)	-
Prior Period Adjustment	-	(224)	-	-	-	(224)
Net Position - End of Year	\$ 154,968	\$ 154,382	\$ 139,272	\$ 138,930	\$ 294,240	\$ 293,313

As shown in the chart below, charges for services made up 52% of the total revenue received by the city as a whole in 2015. Forty (40%) percent of the revenue sources were made up of taxes. Of the 40%, 17% is from property taxes, 15% from sales taxes, and the remaining from business and excise taxes.

The following chart compares the functional expenses of the City. Public Safety and the Water/Sewer Utility Fund make up two-thirds of the total City expenses.

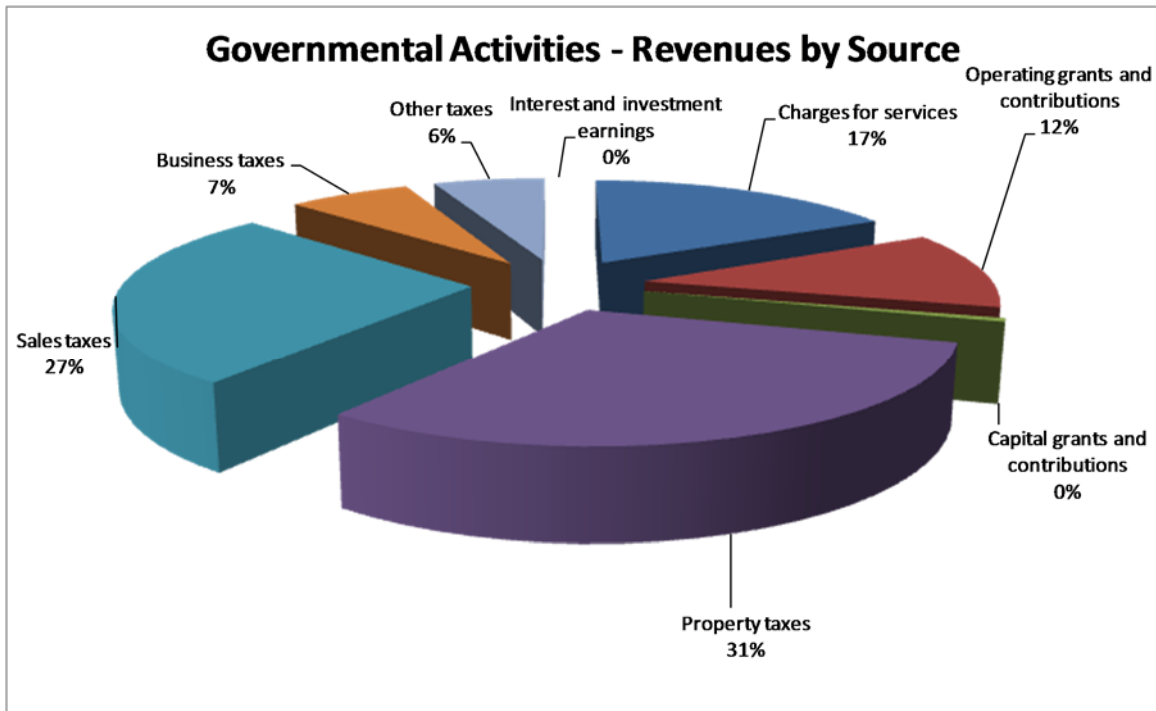


GOVERNMENTAL ACTIVITIES ANALYSIS

As shown in the Statement of Activities, the total cost of all governmental activities in 2015 was \$ 48.7 million. Of this amount \$ 15.1 million was paid either by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) of \$ 33.7 million was the cost of governmental activity services paid primarily by city taxpayers.

Revenues

Total governmental activity revenue (excluding transfers) increased by \$ 5.8 million or 13%. As the chart below depicts, the majority of governmental activity revenue, 71%, is from taxes. Combined taxes were up \$ 2.9 million, or 8.9% from 2014.

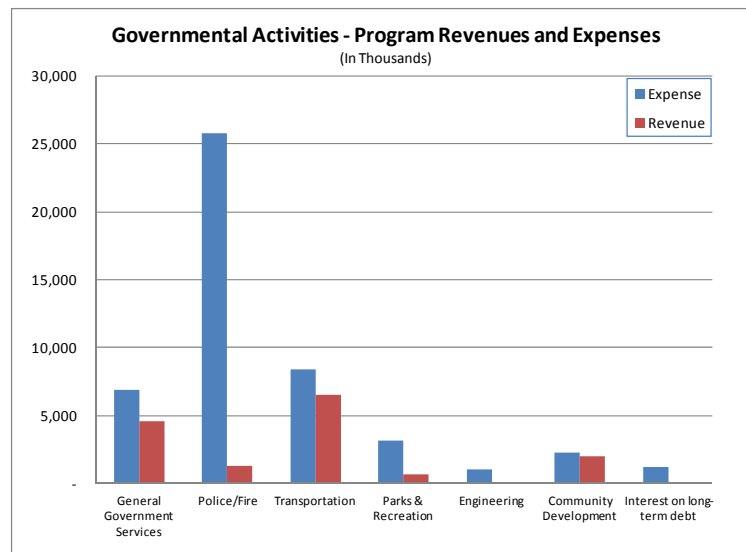


Sales tax increased by \$ 2.7 million or 25% from 2014 demonstrating signs of the economy stabilizing. Other taxes increased by 8.1% from 2014. This category includes utility taxes assessed on utilities, such as telephone, electric and natural gas for services sold within the city limits. The increase in utility tax is the result of rate increases imposed by the utility companies.

Expenses

Total governmental activity expenses increased by \$ 4.3 million or 9.8%, compared to 2014. The largest increases were in General Government up \$ 1.9 million or 53% due to the transfer of the Library building and land to Library District and Transportation up \$2.0 million or 30.6% due to increased overlays and maintenance projects.

The chart below illustrates the cost of each of the City's major governmental activities along with each activity's generated revenues (charges for services, grants, and contributions specifically related to that activity). The difference is the amount that each program relies on taxes for funding.



BUSINESS-TYPE ACTIVITIES ANALYSIS

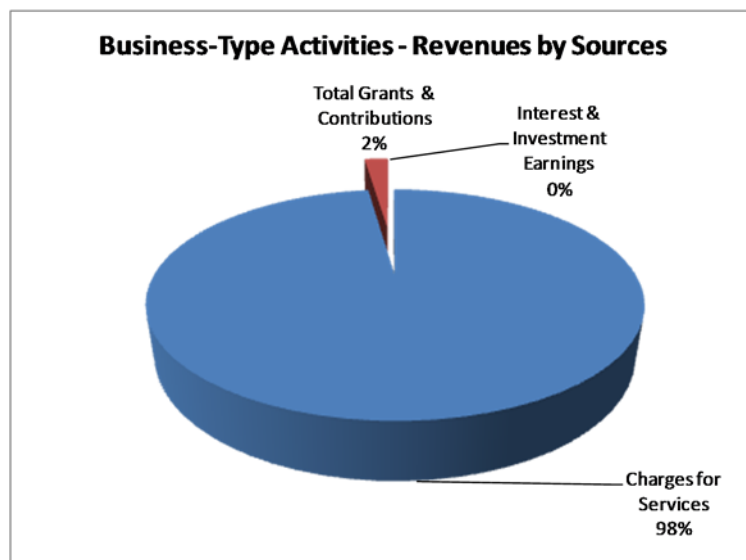
Total expenses of business-type activities in 2015 were \$ 29.6 million. Program revenue covered \$ 39.3 million, with \$ 5.1 million in transfers resulting in a net gain of \$ 4.6 million.

Revenues

Total revenues were up \$ 2.8 million or 7.8% from the prior year. As shown in the chart below, the majority of business-type activity revenue is from charges for services. Charges for services increased \$ 3.8 million from 2014, due to a combination of the annual 2.0% rate increase on water/sewer/surface water fees and increased usage or consumption.

Capital grants and contributions are made up of infrastructure constructed by the developer and then turned over to the City. Business-type capital contributions were down \$.8 million or 50% from 2014.

In 2015, interest earnings on investments increased 31%. Even though interest rates remained low, the City had more cash to invest.



Expenses

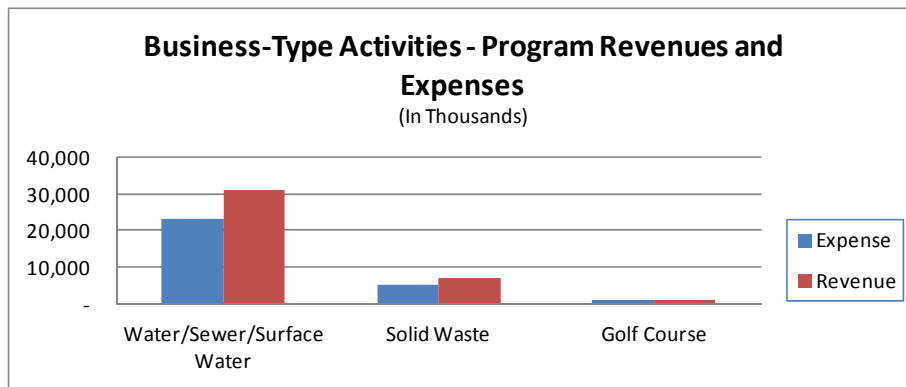
Total business-type expenses were up \$ 1.3 million or 4.7% from 2014

Water/Sewer activity expenses were up \$ 1.2 million or 5.2% from 2014.

In 2015, the Solid Waste activity expenses remained at the same level as 2014.

The golf course expenses increased by \$.1 million or 13%. In 2015, the City signed a contract with Premier Golf to take over the management of the Golf Course. Additional expenses were incurred as a result of this transition. The Golf Course did generate \$.1 million in revenue over what was realized in 2014 offsetting the increased expenses. Management continues to work hard to reduce expenses in an effort to reduce and/or eliminate the need for subsistence from the General Fund.

The chart below depicts the expense of each of the City's business-type programs along with each program's generated revenues. As shown, water/sewer and solid waste generated enough program revenue (primarily user fees) to cover the operating costs of providing services while golf did not. These activities are discussed in more detail in the Business-type Fund Analysis section.



FUND-LEVEL FINANCIAL ANALYSIS

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

Governmental Fund

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

At the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$ 19.5 million an increase of \$ 2.3 million from 2014. The majority of that increase is the result of the improved cash position.

Revenues for the governmental funds in 2015 were \$ 56.1 million up \$ 6.2 million or 12.4% from 2014 and expenditures were \$ 54.9 million up \$ 7.7 million or 16.3%.

General Fund - The general fund is the main operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless legally required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2015, the fund balance of the General Fund was \$ 14.7 million up \$.5 million from 2014. As a measure of fund's liquidity, the ending fund balance is 38% of the fund's 2015 expenditures. As of December 31, 2015, total revenue was \$ 42.9 million an increase of \$.6 million or 1.3% and total expenditures were \$ 38.7 million. Of the \$ 14.7 million fund balance, \$ 14.7 million is unassigned which is available for discretionary spending. Even though the economy is starting to show signs of recovery, and the City is starting to stabilize, the City remains committed to managing costs and balancing current year revenue and expenses to ensure the financial security of the City.

Streets Capital Improvement Fund – The Street Capital Improvement Fund accounts for the construction of transportation within the city, such as roads, streets, park and rides, and bridges. The fund reported an increase of 3.5% in fund balance.

Street Maintenance Fund – The Street Maintenance fund accounts for the maintenance of streets, sidewalks and right-of-ways located within the city. This is the first year this fund is being reported as a major fund. The fund reported a 32.8% increase in fund balance due to an improved cash position.

Local Improvement District 71 Fund (LID71) – The LID 71 Fund accounts for assessments related to the LID and provides payment to the Fiscal Agent for principal and interest on bonds issued in September 2014.

Other Governmental Funds – The City has nine other special revenue funds, two other debt service funds and one non-major construction fund.

Combined, the Other Governmental Funds reported total assets of \$ 2.4 million, total liabilities of \$.4 million and a combined fund balance of \$ 2.0 million. This is an increase of \$.9 million from 2014.

Revenue for the Other Government Funds in 2015 was \$ 5.1 million up \$.9 million from 2014. Increases were in real estate excise taxes and sales tax.

Expenditures for the Other Government Funds in 2015 were \$ 3.2 million a decrease of \$ 3.8 million. The decrease is due to Streets Maintenance fund being reclassified to a major fund.

Proprietary Funds

The City's proprietary fund statements are similar regarding the information found in the government-wide financial statements, but more detail is provided due to the assortment of activities. These funds include the Waterworks Utility and Solid Waste as the major funds for the purpose of this report. As a result, all statements related to the enterprise funds are presented at the entity-wide level. The Cedarcrest Golf Course is the only enterprise fund that is not considered a major fund. The City does have Internal Service funds which are reported in the fund statements.

Waterworks Utility Fund – The Waterworks Utility Fund accounts for the operations, maintenance, and construction of activities related to the supplying of water, sewer, and storm drainage/surface water services to the community. The fund reported total assets of \$ 192.1 million, total liabilities of \$58.8 million, and net position of \$ 134.2 million, an increase of \$.4 million or .2% increase from the prior year.

Solid Waste Fund – The Solid Waste Fund accounts for the operations and maintenance of providing solid waste services to citizens within the city limits. The fund reported total assets of \$ 5.8 million, total liabilities of \$.4 and net position of \$ 5.4 million, an increase of \$.4 million or 5.3% from the prior year.

Other Enterprise Funds – The City's other enterprise fund includes only one activity and that is the Cedarcrest Golf Course. The fund reported total assets of \$ 1.9 million, total liabilities of \$ 1.6 million, and net position of a \$.4 million an increase of \$.2 million.

General Fund Budgetary Highlights

The annual budget is developed to guide the City's financial direction. It outlines how financial resources will be managed during the fiscal year, while allowing for reallocation of resources. Major groups that participate in the budget process are the Mayor, City Council, Chief Administrative Officer, Department directors, Managers, and interested Marysville citizens.

Appropriation of operating funds are reviewed and amended as needed by the City Council. During 2015 the budget was amended one time. The final General Fund expenditure budget was \$ 156,241 higher from the original budget. The amendment was to account for various grants that were awarded to the City.

Actual results compared to final budget

General Fund revenues were less than the amended budget by \$.4 million or .1%. All revenues in the General Fund came in under budget except for Fines and Forfeitures which came in only slightly over budget.

General Fund expenditures were under the final amended budget by \$ 1.0 million or 2.4%. The most significant under runs were \$.6 in General Government and \$.3 million in Economic Environment. Both were associated with planned projects, that were pushed out to 2016.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including construction in progress, for its governmental and business-type activities as of December 31, 2015 amounts to \$ 332.8 million (net of accumulated depreciation) a decrease of \$.8 million from 2014.

Figure 3 : Capital Assets at Year End, Net of Depreciation
(in thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
Land	\$ 27,218	\$ 26,500	\$ 12,405	\$ 11,828	\$ 39,624	\$ 38,328
Buildings	6,974	8,812	5,773	5,866	12,747	14,678
Infrastructure	121,851	122,483	-	-	121,851	122,483
Improvements other than buildings	5,180	4,917	137,686	138,702	142,866	143,619
Machinery and Equipment	5,973	3,936	1,780	1,170	7,753	5,106
Construction in Progress	4,245	1,669	3,702	7,739	7,947	9,408
	\$ 171,442	\$ 168,317	\$ 161,346	\$ 165,305	\$ 332,788	\$ 333,622

Changes to major capital assets during 2015 included the following:

- Addition to CWIP - \$2.6M
- ROW and land purchases for various street projects - \$ 1.1M
- Annual contribution to the City's water/sewer infrastructure from developers - \$.8M
- Fleet equipment and vehicle replacements - \$ 2.5M
- Retired Fleet equipment – (\$2.1M)
- Transfer of the Library building to Snolsle Library – (\$3.1M)

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

Long Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$65.2 million, special assessment debt outstanding of \$5.1 million and other long-term debt of \$10.8 million. The total debt excluding compensated absences and deferred amounts is classified as follows:

Figure 4: Long-Term Debt
(in thousands)

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2015	2014	2015	2014	2015	2014
General Obligation Debt	\$ 24,290	\$ 25,530	\$ 1,448	\$ 1,731	\$ 25,738	\$ 27,261
Revenue Bonds	-	-	39,475	42,185	39,475	42,185
Governmental Loans	312	412	-	-	312	412
Public Work Trust Fund Loans	-	-	10,538	11,868	10,538	11,868
Special Assessment	5,108	6,023	-	-	5,108	6,023
Total Long-Term Debt	\$ 29,709	\$ 31,965	\$ 51,461	\$ 55,784	\$ 81,171	\$ 87,749

On April 23, 2010, Moody's Investors Service changed the City's Municipal Scale Rating to a Global Scale Rating. As a result, the City's underlying limited tax general obligation bond rating is now Aa3 and the City's underlying water and sewer revenue bond rating is A1.

On October 5, 2010, Moody's Investors Service changed the City's limited tax general obligation bond rating from Aa3 to A and an insured rating of Aa3.

On September 19, 2013, Moody's Investor Service assigned a rating of A1 to the City's limited tax general obligation and refunding bonds, 2013.

Moody's rating for the City of Marysville are now as follow:

Limited Tax GO Bonds	Aa3 (previously A2)
Water/Sewer Revenue Bonds	A1 (previously A3)

S&P published an underlying rating of A+ for the 2005 Revenue Bonds at the time of issuance.

Washington State statutes limit the amount of debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and the combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

The City's assessed valuation for determining debt capacity available is \$ 5.4 billion and the total amount of debt the City may issue is \$ 385.3 million.

Additional information on the City's long term debt can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Marysville Council voted not to increase the regular property tax levy rate by 1% allowed under initiative 747 in 2015. Assesses values (AV) for 2016 are estimated to increase. Prior to this AV was falling at an average rate of 9% per year. The levy rate for 2016 is \$2.6813 per \$1,000 of assessed valuation, an increase of 10% from the prior year of \$2.4369. The 2016 EMS levy rate decreased from \$.4278 per \$1,000 of AV to \$.4037.

Total General Fund revenues for 2016 are estimated to increase by \$ 1.1 million from the revised 2015 budget before transfers and the total General Fund expenditures are estimated to increase by \$.8 million from the revised 2015 budget before transfers. For 2015, the City continues to recover from the financial challenges in recent years, and has started to reinvest in the community. The City is moving forward with strategic investments necessary to lay the groundwork for a prosperous future. In 2015, the City transitioned from an annual budget, to a biennial budget. By transitioning to a biennial budget it will encourage long term planning that will further enhance the financial stability of the City and allow us to better serve our community.

Requests for Information

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Marysville Finance Director, 1049 State Avenue, Marysville, Washington, 98270, (360) 363-8000.

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash & cash equivalents	11,788,079	15,268,272	27,056,351
Investments	8,873,339	12,093,993	20,967,332
Receivables (net)	7,595,599	5,407,827	13,003,426
Internal Balances	690,884	(690,884)	-
Inventories	161,186	126,135	287,321
Prepaid items	27,332	-	27,332
Restricted Cash & Investments:			
Investment	-	5,526,424	5,526,424
Investment in joint venture	376,660	-	376,660
Capital Assets			
Land	27,218,361	12,405,376	39,623,737
Depreciable assets (net)	139,978,772	145,238,594	285,217,366
Construction in progress	4,245,247	3,701,582	7,946,829
Net Pension Asset	2,476,815	-	2,476,815
TOTAL ASSETS	203,432,274	199,077,319	402,509,593
Deferred Outflows of resources			
Debt refunding	-	570,804	570,804
Related to pension	1,512,447	455,289	1,967,736
TOTAL ASSETS AND DEFERRED OUTFLOWS	204,944,721	200,103,412	405,048,133
LIABILITIES			
Accounts payable and accrued expenses	398,116	682,084	1,080,200
Unearned revenue	5,622,070	25,000	5,647,070
Other current liabilities	120,704	124,497	245,201
<i>Non-Current Liabilities (see Note 10)</i>			
Due within one year	2,278,845	4,116,260	6,395,105
Due in more than one year	39,501,887	55,307,508	94,809,395
Total Liabilities	47,921,622	60,255,349	108,176,971
Deferred Inflows of resources			
Related to pension	2,054,974	576,129	2,631,103
Total Deferred Inflows	2,054,974	576,129	2,631,103
TOTAL LIABILITIES AND DEFERRED INFLOWS	49,976,596	60,831,478	110,808,074
NET POSITION			
Net investments in capital assets	140,810,400	106,818,354	247,628,754
Restricted for:			
Debt service	1,363,138	5,526,424	6,889,562
Related to Pension	2,476,815	-	2,476,815
Unrestricted	10,317,772	26,927,156	37,244,928
TOTAL NET POSITION	154,968,125	139,271,934	294,240,059

The accompanying notes are an integral part of this statement

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Grants & Contributions			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating	Capital			
<i>Governmental Activities:</i>							
Judicial	1,350,483	746,871	43,743	-	(559,869)	-	(559,869)
General Government	5,507,340	3,763,483	1,000	-	(1,742,857)	-	(1,742,857)
Public Safety	25,654,989	1,103,582	220,059	-	(24,331,348)	-	(24,331,348)
Physical Environment	1,076,714	3,134	-	-	(1,073,580)	-	(1,073,580)
Transportation	8,420,679	1,138,282	5,351,191	9,990	(1,921,216)	-	(1,921,216)
Economic Environment	2,256,138	1,720,524	300,844	-	(234,770)	-	(234,770)
Health	40,693	-	-	-	(40,693)	-	(40,693)
Culture & Recreation	3,160,313	353,895	41,500	263,413	(2,501,505)	-	(2,501,505)
Interest on long-term debt	1,224,025	-	-	-	(1,224,025)	-	(1,224,025)
Total Governmental	48,691,374	8,829,771	5,958,337	273,403	(33,629,863)	-	(33,629,863)
<i>Business-type Activities:</i>							
Water/Sewer/Surface Water	23,038,255	30,258,766	-	771,052	-	7,991,563	7,991,563
Solid Waste	5,351,900	7,037,150	70,494	-	-	1,755,744	1,755,744
Golf Course	1,195,081	1,063,146	-	-	-	(131,935)	(131,935)
Total Business-Type	29,585,236	38,359,062	70,494	771,052	-	9,615,372	9,615,372
Total Government	78,276,610	47,188,833	6,028,831	1,044,455	(33,629,863)	9,615,372	(24,014,491)
General Revenues							
		Property Taxes	15,728,430	-	15,728,430	-	15,728,430
		Sales Taxes	13,696,505	-	13,696,505	-	13,696,505
		Utility Taxes	3,477,925	-	3,477,925	-	3,477,925
		Excise Taxes	2,171,124	-	2,171,124	-	2,171,124
		Other Taxes	997,843	-	997,843	-	997,843
		Investment Earnings	180,600	-	180,600	108,266	288,866
Transfers			5,103,038	(5,103,038)	-	-	-
Total General Revenues & Transfers			41,355,465	(4,994,772)			36,360,693
Change in Net Position			7,725,602		4,620,600		12,346,202
Net Position - Beginning			154,382,277		138,930,265		293,312,542
Changes in Account Principles - GASB 68			(7,139,754)		(4,278,931)		(11,418,685)
Net Position - Ending			154,968,125		139,271,934		294,240,059

The accompanying notes are an integral part of this statement

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	GENERAL FUND	STREETS CAPITAL IMPROVEMENTS	LOCAL IMPROVEMENT DISTRICT 71	STREET MAINTENANCE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
CURRENT ASSETS						
Cash & cash equivalents	\$ 7,125,762	\$ 1,198,365	\$ 727,403	\$ 290,459	\$ 1,955,048	\$ 11,297,037
Investments	7,262,762	530,108	-	230,276	460,897	8,484,043
Receivables (net)	1,960,827	-	228,543	12,702	-	2,202,072
Due from other funds	400,000	-	-	-	-	400,000
Special Assessment Receivable	-	-	5,393,527	-	-	5,393,527
Prepaid items	27,332	-	-	-	-	27,332
Total Current Assets	16,776,683	1,728,473	6,349,473	533,437	2,415,945	27,804,011
TOTAL ASSETS	\$ 16,776,683	\$ 1,728,473	\$ 6,349,473	\$ 533,437	\$ 2,415,945	\$ 27,804,011
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued expense	\$ 99,267	\$ 215,030	\$ -	\$ 2,766	\$ 47,723	\$ 364,786
Due to other funds	-	-	-	-	400,000	400,000
Unearned revenue	405,471	-	228,543	-	-	634,014
Deposits payable	83,247	3,787	-	33,670	-	120,704
Total Current Liabilities	587,985	218,817	228,543	36,436	447,723	1,519,504
TOTAL LIABILITIES	\$ 587,985	\$ 218,817	\$ 228,543	\$ 36,436	\$ 447,723	\$ 1,519,504
DEFERRED INFLOW						
Property Taxes	\$ 460,785	\$ -	\$ -	\$ -	\$ -	\$ 460,785
Special Assessments	-	-	5,393,527	-	-	5,393,527
Court Receivables	971,242	-	-	-	-	971,242
TOTAL DEFERRED INFLOWS	1,432,027	-	5,393,527	-	-	6,825,554
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 2,020,012	\$ 218,817	\$ 5,622,070	\$ 36,436	\$ 447,723	\$ 8,345,058
FUND BALANCE						
<i>Restricted For:</i>						
Law Enforcement	-	-	-	-	187,600	187,600
Tourism	-	-	-	-	63,709	63,709
Technology Infrastructure	-	-	-	-	238,469	238,469
REET	-	-	-	-	274,188	274,188
<i>Committed to:</i>						
Law Enforcement	-	-	-	-	54,161	54,161
Community Center	-	-	-	-	9,119	9,119
<i>Assigned to:</i>						
Street Construction & Maintenance	-	1,509,656	-	497,001	256,219	2,262,876
Parks Construction Projects	-	-	-	-	249,022	249,022
Debt Service	-	-	727,403	-	635,735	1,363,138
<i>Unassigned</i>	14,756,671	-	-	-	-	14,756,671
TOTAL FUND BALANCES	14,756,671	1,509,656	727,403	497,001	1,968,222	19,458,953
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 16,776,683	\$ 1,728,473	\$ 6,349,473	\$ 533,437	\$ 2,415,945	\$ 27,804,011

The accompanying notes are an integral part of this statement

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total governmental fund balance		\$ 19,458,953
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.		165,684,453
These assets consist of:		
Land	\$ 27,218,361	
Depreciable Assets (including Infrastructure)	164,099,386	
Construction in Progress	4,245,247	
Less: Accumulated Depreciation	(29,878,541)	
The investment in joint ventures is not reported at the fund financial reporting level but is reported on the statement of net position.		376,660
Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds		2,882,286
Net Pension Asset	2,476,815	
Current Property Taxes	228,826	
Court Receivable	176,645	
Deferred Inflow - Court Receivables		971,242
Deferred Inflow - Prior Years Property Taxes		460,785
Deferred Outflow - Related to Pension		1,381,028
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		(41,185,904)
Compensated Absences	(1,738,931)	
General Obligation/Special Assessment Bonds	(30,631,980)	
Net Pension Obligation - (OPEB)	(986,298)	
Net Pension Liability	(7,828,695)	
Deferred Inflow - Related to Pension		(1,923,795)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the statement of net position.		6,862,417
Internal service funds-total fund position	\$ 6,171,533	
Add back: amount allocated to internal balances - business-type activities	690,884	
Net position of governmental activities		<u>\$ 154,968,125</u>

The accompanying notes are an integral part of this statement

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	GENERAL FUND	STREETS CAPITAL IMPROVEMENTS	LOCAL IMPROVEMENT DISTRICT 71	STREET MAINTENANCE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	\$ 33,902,657	\$ -	\$ -	\$ -	\$ 3,977,463	\$ 37,880,120
Licenses & Permits	1,815,888	-	-	41,028	-	1,856,916
Intergovernmental	1,304,145	4,032,085	-	1,325,796	540,757	7,202,783
Charges for Services	5,023,180	1,097,254	-	49,343	408,425	6,578,202
Fines & Forfeitures	533,954	-	-	-	114,005	647,959
Investment Earnings	150,056	7,911	3,391	833	15,044	177,235
Rents & Leases	183,187	400	-	-	29,471	213,058
Special Assessments	-	-	1,432,131	-	-	1,432,131
Miscellaneous Revenues	78,711	4,700	-	45,974	14,187	143,572
Total Revenues	42,991,778	5,142,350	1,435,522	1,462,974	5,099,352	56,131,976
EXPENDITURES						
Current:						
Judicial	1,365,223	-	-	-	-	1,365,223
General Government	5,512,756	-	-	21,091	21,993	5,555,840
Public Safety	25,666,216	-	-	-	54,148	25,720,364
Physical Environment	1,096,568	-	-	-	-	1,096,568
Transportation	-	985,605	-	5,538,841	2,544	6,526,990
Health & Human Services	40,693	-	-	-	-	40,693
Economic Environment	2,273,175	-	-	-	196,225	2,469,400
Culture & Recreation	2,695,786	-	-	-	298,179	2,993,965
Capital Outlay						
Public safety	26,115	-	-	-	5,739	31,854
Transportation	-	5,325,000	-	-	-	5,325,000
Culture & Recreation	61,918	-	-	-	266,976	328,894
Debt Service						
Principal	-	-	915,000	-	1,310,271	2,225,271
Interest & fiscal charges	-	-	152,545	-	1,071,480	1,224,025
Total Expenditures	38,738,450	6,310,605	1,067,545	5,559,932	3,227,555	54,904,087
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	4,253,328	(1,168,255)	367,977	(4,096,958)	1,871,797	1,227,889
OTHER FINANCING SOURCES (USES)						
Transfers in	869,076	2,020,000	-	4,294,353	2,395,412	9,578,841
Transfers out	(4,590,315)	(904,139)	-	(74,583)	(3,017,075)	(8,586,112)
Total other financing sources (uses)	(3,721,239)	1,115,861	-	4,219,770	(621,663)	992,729
Net change in fund balances	532,089	(52,394)	367,977	122,812	1,250,134	2,220,618
Fund balances--beginning	14,224,582	1,562,050	359,426	374,189	718,088	17,238,335
FUND BALANCES - ENDING	\$ 14,756,671	\$ 1,509,656	\$ 727,403	\$ 497,001	\$ 1,968,222	\$ 19,458,953

The accompanying notes are an integral part of this statement

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net changes in fund balances for governmental funds \$ 2,220,618

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 life as depreciation expense. This is the amount by which capital outlays plus adjustments exceeded depreciation in the current period. 1,152,734

This is comprised of:

Capital Outlays	\$ 5,685,748
Depreciation	(2,542,144)
NBV of retired assets	(2,017,670)
Donated Property	26,800

Governmental funds do not report the change in the investment in the joint venture the change is reported on the statement of activity (79,958)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

This is comprised of:

Current Property Taxes	10,571
Court Receivables	(114,957)
Special Funding - LEOFF 2	215,976

Deferred Outflows - Prior Years Property Taxes (26,885)

Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

This is comprised of:

Change in 800 mhz amortization schedule	30,374
GO debt retired	2,225,271
Unamortized premium	93,525

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

This is comprised of:

Accrued Compensated Absences	(163,110)
Net Pension Obligation - OPEB	(264,879)
Net Pension Expense - GASB 68 Adjustments	521,056

Internal service funds are used by management to charge the cost of equipment, maintenance of the facilities and computer costs to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities

This is comprised of:

Interest revenue allocated from internal service funds	\$ 3,365	1,905,266
to governmental activities		
Net expense allocated from internal service funds	581,414	
to governmental activities		
Transfer Out	1,320,487	

Change in net position of governmental activities \$ 7,725,602

The accompanying notes are an integral part of this statement

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	BUSINESS TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	NONMAJOR ENTERPRISE GOLF	TOTAL ENTERPRISE FUNDS	
ASSETS					
CURRENT ASSETS:					
Cash & cash equivalents	\$ 12,752,916	\$ 2,513,756	\$ 1,600	\$ 15,268,272	\$ 491,042
Investments	10,101,093	1,992,900	-	12,093,993	389,296
Receivables (net)	4,123,134	1,284,693	-	5,407,827	-
Inventories	71,152	-	54,983	126,135	161,186
Total Current Assets	27,048,295	5,791,349	56,583	32,896,227	1,041,524
NONCURRENT ASSETS					
Restricted Cash & Investments:					
Investments	5,526,424	-	-	5,526,424	-
Capital Assets					
Land	11,587,364	-	818,012	12,405,376	-
Depreciable assets (net)	144,197,945	-	1,040,649	145,238,594	5,757,927
Construction in progress	3,701,582	-	-	3,701,582	-
Total Noncurrent Assets	165,013,315	-	1,858,661	166,871,976	5,757,927
TOTAL ASSETS	\$ 192,061,610	\$ 5,791,349	\$ 1,915,244	\$ 199,768,203	\$ 6,799,451
Deferred outflow of resources:					
Debt refunding	550,007	-	20,797	570,804	-
Related to pension	392,623	57,563	5,103	455,289	131,419
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 193,004,240	\$ 5,848,912	\$ 1,941,144	\$ 200,794,296	\$ 6,930,870
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued exp.	\$ 68,521	\$ 134,291	\$ -	\$ 202,812	\$ 33,330
Accrued interest payable	451,950	-	27,322	479,272	-
Compensated absences	142,751	17,778	-	160,529	51,718
Bonds, notes, loans payable	3,655,757	-	299,974	3,955,731	-
Unearned revenue	25,000	-	-	25,000	-
Deposits payable	5,374	-	3,500	8,874	-
Other current liabilities	60,225	-	55,398	115,623	-
Total Current Liabilities	4,409,578	152,069	386,194	4,947,841	85,048
NONCURRENT LIABILITIES:					
Bonds, notes, loans payable (net)	49,995,742	-	1,146,529	51,142,271	-
Net Pension Liability	3,770,388	215,242	19,078	4,004,708	491,392
Compensated absences	142,751	17,778	-	160,529	51,718
Total Noncurrent Liabilities	53,908,881	233,020	1,165,607	55,307,508	543,110
TOTAL LIABILITIES	58,318,459	385,089	1,551,801	60,255,349	628,158
Deferred Inflows of resources					
Related to pension	513,578	57,459	5,092	576,129	131,179
TOTAL LIABILITIES AND DEFERRED INFLOWS	58,832,037	442,548	1,556,893	60,831,478	759,337
NET POSITION					
Net investment in capital assets	106,385,399	-	432,955	106,818,354	5,757,927
Restricted for debt service	5,526,424	-	-	5,526,424	-
Unrestricted	22,260,380	5,406,364	(48,704)	27,618,040	413,606
TOTAL NET POSITION	\$ 134,172,203	\$ 5,406,364	\$ 384,251	\$ 139,962,818	\$ 6,171,533

The net effect of activities allocated from internal service funds is presented as an internal balance on the statement of net position (690,884)

Net position of business-type activities **\$ 139,271,934**

The accompanying notes are an integral part of this statement

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUSINESS TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	NONMAJOR ENTERPRISE GOLF	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES:					
<i>Charges for Services:</i>					
Water/Sewer/Surface Water	\$ 25,505,609	\$ -	\$ -	\$ 25,505,609	\$ -
Golf	-	-	1,029,109	1,029,109	-
Garbage & Solid Waste	-	7,042,821	-	7,042,821	-
Other Services	-	-	-	-	3,778,579
Total Operating Revenues	25,505,609	7,042,821	1,029,109	33,577,539	3,778,579
OPERATING EXPENSES:					
Maintenance & operations	14,599,012	5,157,217	1,032,957	20,789,186	2,434,947
Taxes	2,661,360	1,213,851	4,541	3,879,752	-
Depreciation	6,048,189	-	65,551	6,113,740	564,586
Total Operating Expenses	23,308,561	6,371,068	1,103,049	30,782,678	2,999,533
Operating income (loss)	2,197,048	671,753	(73,940)	2,794,861	779,046
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental	-	70,494	-	70,494	-
Investment earnings	85,163	23,071	32	108,266	3,365
Miscellaneous nonoperating revenue	4,753,157	(5,671)	34,037	4,781,523	119,448
Interest expense	(1,422,217)	-	(96,641)	(1,518,858)	-
Miscellaneous nonoperating expenses	(390,600)	-	-	(390,600)	-
Total Non-Operating Revenues (Expenses)	3,025,503	87,894	(62,572)	3,050,825	122,813
Income (Loss) Before Capital Contributions & Transfers	5,222,551	759,647	(136,512)	5,845,686	901,859
Capital contributions	771,052	-	-	771,052	-
Transfers in	-	2,272	370,968	373,240	1,320,487
Transfers (out)	(1,579,151)	(1,107,305)	-	(2,686,456)	-
	(808,099)	(1,105,033)	370,968	(1,542,164)	1,320,487
CHANGE IN NET POSITION	4,414,452	(345,386)	234,456	4,303,522	2,222,346
NET POSITION-BEGINNING	133,794,409	5,974,299	169,519	139,938,227	4,457,260
Changes in Accounting Principles-GASB 68	(4,036,658)	(222,549)	(19,724)	(4,278,931)	(508,073)
NET POSITION-ENDING	\$ 134,172,203	\$ 5,406,364	\$ 384,251	\$ 139,962,818	\$ 6,171,533

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds: 317,078

Change in net position of business-type activities \$ 4,620,600

The accompanying notes are an integral part of this statement

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS
	WATERWORKS UTILITY	SOLID WASTE	NONMAJOR ENTERPRISE GOLF	TOTAL	
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 25,327,730	\$ 7,013,521	\$ 1,012,623	\$ 33,353,874	\$ 3,778,579
Payments to suppliers	(8,469,340)	(3,989,362)	(542,648)	(13,001,350)	(1,053,510)
Payment to employees	(6,129,154)	(1,032,705)	(499,117)	(7,660,976)	(1,389,903)
Payments for taxes	(2,774,126)	(1,213,851)	(4,541)	(3,992,518)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,955,110	\$ 777,603	\$ (33,683)	\$ 8,699,030	\$ 1,335,166
Cash Flows From Non-Capital Financing Activities:					
Other Receipts (Payments)	4,347,969	(5,671)	34,037	4,376,335	119,448
Receipts from Non-Capital Grants	-	70,494	-	70,494	-
Transfer in from other funds	-	2,272	370,968	373,240	1,320,487
Transfer (out) to other funds	(1,579,151)	(1,107,305)	-	(2,686,456)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ 2,768,818	\$ (1,040,210)	\$ 405,005	\$ 2,133,613	\$ 1,439,935
Cash Flows From Capital and Related Financing Activities:					
Acquisition/Construction-capital	(1,383,441)	-	-	(1,383,441)	(2,536,849)
Payments on debt principal	(4,040,757)	-	(282,273)	(4,323,030)	-
Payment on debt interest	(1,667,712)	-	(89,081)	(1,756,793)	-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	\$ (7,091,910)	\$ -	\$ (371,354)	\$ (7,463,264)	\$ (2,536,849)
Cash Flows From Investing Activities:					
Purchase of Investments	(3,125,661)	-	-	(3,125,661)	(59,415)
Proceeds from Sale of Investments	2,902,029	458,359	-	3,360,388	-
Interest on Investments	85,163	23,071	32	108,266	3,365
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ (138,469)	\$ 481,430	\$ 32	\$ 342,993	\$ (56,050)
Net Increase (Decrease) in Cash & Equivalents	3,493,549	218,823	-	3,712,372	182,202
Cash and Equivalents January 1, 2015	9,259,367	2,294,933	1,600	11,555,900	308,840
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 12,752,916	\$ 2,513,756	\$ 1,600	\$ 15,268,272	\$ 491,042
Unrestricted cash and cash equivalents	12,752,916	2,513,756	1,600	15,268,272	491,042
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 12,752,916	\$ 2,513,756	\$ 1,600	\$ 15,268,272	\$ 491,042

The accompanying notes are an integral part of this statement

Page 1 of 2

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	WATERWORKS UTILITY	SOLID WASTE	NONMAJOR ENTERPRISE GOLF	TOTAL	ACTIVITIES- INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 2,197,048	\$ 671,753	\$ (73,940)	\$ 2,794,861	\$ 779,046
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities					
Depreciation and Amortization	6,048,189	-	65,551	6,113,740	564,586
Changes in Assets and Liabilities:					
(Increase)/Decrease in Inventories	(6,251)	-	10,583	4,332	(26,816)
(Increase)/Decrease in Receivables	(178,781)	(29,300)	-	(208,081)	-
Increase (Decrease) in Accounts Payable	40,220	142,561	(18,410)	164,371	35,271
Increase (Decrease) in Other Current Liabilities	(145,315)	(7,411)	(17,467)	(170,193)	(16,921)
TOTAL ADJUSTMENTS	5,758,062	105,850	40,257	5,904,169	556,120
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 7,955,110	\$ 777,603	\$ (33,683)	\$ 8,699,030	\$ 1,335,166
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital assets contributed by private developers	771,052	-	-	771,052	-
Increase (decrease) in fair value of investments	(82,142)	-	-	(82,142)	-
TOTAL NON-CASH ACTIVITIES	\$ 688,910	\$ -	\$ -	\$ 688,910	\$ -

The accompanying notes are an integral part of this statement

Page 2 of 2

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

		AGENCY FUNDS
ASSETS		
Cash & cash equivalents	\$	78,497
Total Assets	\$	78,497
LIABILITIES		
Accounts payable and accrued expenses	\$	27,390
Other liabilities	\$	51,107
Total Liabilities	\$	78,497

The accompanying notes are an integral part of this statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

A. Reporting Entity

The City of Marysville was incorporated on March 20, 1891 and operates under the laws of the State of Washington applicable to a non-charter code city with a mayor-council form of government. The accounting and reporting policies of the city conform to generally accepted accounting principles (GAAP) of local governments.

The city is a general-purpose government and provides public safety, road improvement, parks and recreation, judicial administration and general governmental services. In addition, the city owns and operates a water/sewer/surface water utility, a golf course and provides garbage collection and recycling services. The accompanying statements include all funds, agencies and boards controlled by or dependent on the city. The financial statements include as well the assets and liabilities of all funds for which the city has a custodial or trust responsibility. The financial statements do not include the financial position or results of operations of the Marysville School District, which is a separate municipal corporation.

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 eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. The fiduciary funds presented are agency funds. These funds use the accrual basis of accounting; however, because they only report assets and liabilities they do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The city reports the following major government 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 Capital Improvement fund accounts for the design and construction of the city's infrastructure.
- The Street Maintenance fund accounts for the operation and maintenance of the city streets, right-of-ways, and sidewalks.
- The Local Improvement District (LID) #71 accounts for assessments related to the LID and provides payment to the Fiscal Agent for principal and interest on bonds issued in September 2014.

The city reports the following major proprietary funds:

- The Waterworks Utility operating fund accounts for the distribution and filtration of water, the collection and treatment of wastewater, as well as the collection and treatment of sewage, and the design and construction of all water/sewer/surface water capital projects. Also included in the waterworks utility fund are all debt service payments.
- The Solid Waste fund accounts for the collection of commercial and residential solid waste as well as curb side recycling program.

Additionally, the government reports the following fund types:

- Special revenue funds account for the proceeds of specific revenue sources to finance specific activities as required by law or administrative regulations.
- Debt service funds account for the accumulation of resources and the payment of general long-term debt principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.
- Capital project funds account for the design and construction of city parks and recreational facilities.
- Internal service funds account for the city's fleet management, facility services and information services provided to other departments on a cost reimbursement basis.
- Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operation.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions 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. The city has allocated certain indirect costs that are included in the program expense reported for individual functions and activities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks Utility Fund, Solid Waste Fund, Golf Fund, and the internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available to use, it is the City of Marysville's policy to use restricted resources first, and then unrestricted resources as needed.

New Accounting Standards

In 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27." And also GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68." The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

D. Budgetary Information

Scope of Budget

In accordance with the Revised Code of Washington (RCW) 35A.34, the City budgets for all operating funds. These budgets are prepared in accordance with generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for annually budgeted governmental funds only.

Annual appropriated budgets are adopted at the fund level where expenditures may not exceed appropriations. Subsidiary revenue and expenditure ledgers 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.

Appropriations for all funds lapse at year-end.

Amending the Budget

The City Administrative Officer is authorized to transfer appropriations between programs within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the City Council. When City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by a simple majority. The budget was amended by ordinance three (3) times during 2015. The budget amounts shown in the financial statements and schedules 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, Fund Balances and Net Position

Cash and Cash Equivalents

The City of Marysville invests all short-term cash surpluses. Monies from all City funds are internally pooled for investment purposes. The interest earned from the pooled investments is prorated to individual funds at the end of each month based on the cash balance in each fund at the end of the month. The City considers all highly-liquid assets, including investment in the Washington State's Local Government Investment Pool, and short-term investments with a maturity of three months or less when purchased to be cash equivalents.

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

Investments (see note 3)

Investments are reported at fair value based on quoted market prices.

Receivables

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

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

Amounts Due to and from Other Funds; Interfund Loans and Advances Receivable

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Separate schedules of interfund loans, amounts due to and from other funds and advances are furnished in Note 13.

Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

Special Assessments

Special assessments are amounts levied against benefited properties to recover costs associated with the construction of local improvement district (LID) projects. A lien is recorded against benefited properties until the assessment has been paid. Special assessments receivable represent all outstanding assessment amounts including current assessments billed but not collected, unpaid delinquent assessments, and special assessment amounts due in future years, which are recorded in a deferred inflow of resources account. Since special assessments are secured by liens against related properties, no allowance for uncollectible amounts is made.

Inventories

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

Restricted Assets and Liabilities

Constraints imposed by debt covenants and laws and regulations of other governments require that the City maintain cash accounts, investments and receivables for certain purposes. These accounts contain resources to ensure compliance with the revenue debt bond covenants.

Capital Assets (see note 5)

GASB Statement No. 34 established new financial reporting standards including the reporting of infrastructure assets of the general government as capital assets. The City began prospective reporting of general infrastructure assets in January 1, 2005 and incorporated the retrospective values in 2007.

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. Infrastructure assets are capitalized when cost equals or exceeds \$300,000. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets purchased, constructed, or leased by a governmental fund type are recorded as expenditures in that fund at the time the related expenditures are incurred. The associated capital assets are capitalized in the Governmental Activities column on the Government Wide Statement of Net Position. Capital assets of internal service funds are reported with governmental assets.

Costs of normal maintenance and repair for general capital assets are not capitalized. However, any improvement that increases an asset's value, capacity or materially extends its life is added to that asset's capitalized costs.

All project costs are included in construction in progress in the government-wide statement of net position. At completion, capital costs are reclassified to the appropriate capital asset account. In the governmental fund financial statements, lease and contract payments are reported as expenditures.

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

ESTIMATED SERVICE LIFE	
Buildings & Structures	25-50 Years
Infrastructure	13-100 Years
Improvement Other Than Buildings	5-50 Years
Machinery & Equipment	2-20 Years

Other Post-Employment Benefits (see note 6)

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contributions is reported in the Statement of Net Position. Actual medical costs are reported as expenditures in the general fund in the year they are incurred.

Compensated Absences

Employees may accumulate up to 180 days of sick leave. However, since the city does not have a policy to pay any amounts when employees separate from service with the government, there is no liability recorded for unpaid accumulated sick leave. Sick leave pay is recorded as an expense/expenditure upon usage.

Eligible employees accumulate 10 to 25 days of vacation annually depending upon the employee's length of service, but may not accumulate more than two full years of earned accrual.

At the time of retirement or separation from the City, employees will be compensated for any unpaid accumulated vacation leave up to 240 hours.

Deferred Outflow of Resources

Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involved no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. It also represents access to present service capability that is under the government's controls. Deferred outflows of resources presented in this manner on the accompanying financial statements are related to outstanding debt, pension, property taxes and court receivables.

Long-term Debt (see note 8)

Liabilities for long-term debt are recorded in the government-wide statement of net position and in the proprietary funds balance sheet. The liabilities include bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

For governmental funds financial statements, bond issuance costs are expensed at the time of issuance. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as a debt service expenditure. The nature of debt in the governmental activity is specific to a program and, therefore; debt service costs are not an allocated expenditure.

Deferred Inflow of Resources

Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period. A deferred inflow of resources involved no acquisition of resources resulting in either a net increase in assets or a new decrease in liabilities. It represents a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred inflow of resources presented in this manner on the accompanying financial statements are related to outstanding debt.

Net Position and Fund Balance

Net Position is segregated into three categories on the government-wide statement of net position: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. The flow assumption of the City is to use restricted assets before unrestricted assets. Restricted assets are usually set aside in a separate fund, specifically used for the purpose of debt service or capital.

Fund balances, with the implementation of GASB 54, presented in the governmental fund financial statements represent the difference between assets and liabilities reported within the government fund. Fund balance is classified into the following categories:

Non-spendable – items that cannot be spent due to form; inventories, prepaid amounts, long-term loan receivables, or amounts that must be maintained intact legally.

Spendable - amounts are further segregated into categories based on the degree to which the uses of resources are constrained. When an expenditure is incurred for which restricted and unrestricted amounts are available, the City considers restricted amounts to be used first, followed by committed, then assigned, and lastly, unassigned amounts.

Restricted – amounts constrained for specific purposes imposed by external parties, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements.

Committed – fund balance constrained by ordinance or resolution is adopted by City council and requires the same action to remove the constraint. In Washington State, ordinances and resolutions carry the same force of law.

Assigned – constraints that are neither restricted or committed, are considered assigned. Assignments are adopted by City Council through the budget ordinance. Special revenue funds typically report the majority of assigned fund balance and are created through ordinance by City Council. Fund balance in special revenue funds that are intended to be used for

specific purposes, but are neither restricted or committed, include transfers from other funds, investment interest not constrained by contract or covenant, fees for services and rents.

Unassigned – any remaining fund balance in the general fund not classified as non-spendable, restricted, committed or assigned is considered unassigned. Also negative fund balance in any other governmental fund is unassigned. Also, the City's financial policies require a minimum of 10% of General Funds budgeted revenues (less beginning fund balance) be held in reserve. The reserves can be used for anything that council feels is necessary and therefore is reported as unassigned. Any and all expenditures from the reserve require a super majority vote by the entire City Council.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Fund 502 – Facility Maintenance and Fund 503 – Information Services, both internal service funds are reporting a negative ending net position. In both cases, the negative net position is the result of the implementation of GASB 68. Prior to the implementation, both funds reported a positive net position.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

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

Investments

As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, the State of Washington Local Government Investment Pool, or certificates of deposit with Washington State Banks.

The Washington Local Government Investment Pool (LGIP) is unrated and operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The fair value of the portfolio is calculated by the master custodian or by an independent pricing service under contract with the State Treasurer's Office. The fair value of the City's position in the State of Washington Local Government Investment Pool is the same as the value of the pool shares.

Credit Risk - Safety of principal is the foremost objective of the City's investment program. City investments are undertaken in a conservative manner that seeks to ensure the preservation of the portfolio's capital. The City holds investments in government agencies all of which hold AAA ratings from Standard & Poor's and Aaa from Moody's Investor Services. The City does not have a specific credit risk policy.

Custodial Credit Risk is the risk that in the event of a bank failure, the City's investments may not be recovered. All City securities are held for safekeeping by US Bank. The City does not have a specific custodial credit risk policy.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. Safety of the principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The City does not have a specific concentration of risk policy.

As of December 31, 2015, the City had the following investments and deposits:

	Fair Value	Weighted Avg Maturity (in years)
Investments:		
FHLMC	\$ 512,761	
FNFM	14,119,241	
FICO STRIP CPN-1	5,539,720	
FFCB	2,000,000	
FHLB	4,322,034	
Total Investments	\$ 26,493,756	2.26
Deposits:		
Certificate of Deposit		
Bank of America	\$ 11,632	
Deposit Account - Opus Bank	5,127,558	
State Pool	7,499,612	
Total Deposits	\$ 12,638,802	
TOTAL INVESTMENTS & DEPOSITS	\$ 39,132,558	

NOTE 4 - PROPERTY TAXES:

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed at/after the end of each month. Properties listed on the County tax rolls as of May 31 are included in the annual tax levy January 1. New construction through August 31 is included in the annual tax levy the following January 1.

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% of market value
October 31	Second installment is due

Property tax revenues are recognized in the year levied. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer within sixty days and an adjustment to taxes receivable and deferred revenue is made to account for delinquent taxes. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

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

- Washington State law in RCW 84.55.010 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction.
- The Washington State Constitution limits the total regular property taxes to 1 percent of all assessed valuation of \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.

The City's regular levy for 2015 was \$2.8647 per \$1,000 on an assessed valuation of \$5,483,698,785. The special levies identified in the table were approved by the voters and are not subject to the limitations listed above.

Purpose of Levy	Levy Rate Per \$1,000	Total Levy Amount
General Government	2.4369	\$ 13,363,444
Emergency Medical Service (EMS)	.4278	2,345,803
Total City Levy	2.8647	\$ 15,709,247

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

A summary of changes in governmental capital assets follows:

	BEGINNING BALANCE 01/01/2015	ADDITIONS	DELETIONS	ENDING BALANCE 12/31/2015
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	26,500,265	1,106,044	(387,948)	27,218,361
Construction in progress	1,669,061	3,972,398	(1,396,212)	4,245,247
Total capital assets not being depreciated	28,169,326	5,078,442	(1,784,160)	31,463,608
Capital assets, being depreciated:				
Buildings and Structures	12,879,021	-	(2,655,502)	10,223,519
Improvements other than buildings	7,327,534	527,465	-	7,854,999
Infrastructure	143,990,763	1,409,084	-	145,399,847
Machinery and Equipment	12,024,952	2,630,621	(1,079,016)	13,576,557
	176,222,270	4,567,170	(3,734,518)	177,054,922
Less accumulated depreciation for:				
Buildings	(4,066,675)	(209,195)	1,026,794	(3,249,076)
Improvements other than buildings	(2,410,434)	(264,685)	-	(2,675,119)
Infrastructure	(21,508,094)	(2,040,522)	-	(23,548,616)
Machinery and Equipment	(8,089,009)	(592,328)	1,077,998	(7,603,339)
Total accumulated depreciation	(36,074,212)	(3,106,730)	2,104,792	(37,076,150)
Total assets being depreciated, net	140,148,058	1,460,440	(1,629,726)	139,978,772
Governmental activities capital assets, net	168,317,384	6,538,882	(3,413,886)	171,442,380

A summary of changes in business-type capital asset follows:

	BEGINNING BALANCE 01/01/15	ADDITIONS	DELETIONS	ENDING BALANCE 12/31/15
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	11,827,652	577,724	-	12,405,376
Construction in progress	7,739,076	495,329	(4,532,823)	3,701,582
Total capital assets not being depreciated	19,566,728	1,073,053	(4,532,823)	16,106,958
Capital assets, being depreciated:				
Buildings and Structures	9,072,491	71,921	-	9,144,412
Improvements other than buildings	220,716,077	4,874,230	-	225,590,307
Machinery and Equipment	4,164,477	668,112	-	4,832,589
	233,953,045	5,614,263	-	239,567,308
Less accumulated depreciation for:				
Buildings	(3,206,587)	(164,929)	-	(3,371,516)
Improvements other than buildings	(82,013,806)	(5,890,350)	-	(87,904,156)
Machinery and Equipment	(2,994,581)	(58,461)	-	(3,053,042)
Total accumulated depreciation	(88,214,974)	(6,113,740)	-	(94,328,714)
Total assets being depreciated, net	145,738,071	(499,477)	-	145,238,594
Business-type activities capital assets, net	\$ 165,304,799	\$ 573,576	\$ (4,532,823)	\$ 161,345,552

Depreciation

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

<u>Governmental Activities</u>	
General Government Services	\$ 166,936
Protection of Persons & Property	59,505
Transportation	2,116,423
Culture & Recreation	199,280
Internal Service	564,586
Total Depreciation-Governmental Activities	<u>\$ 3,106,730</u>
<u>Business-type Activities</u>	
Waterworks Utility	\$ 6,048,189
Golf	65,551
Total Depreciation-Business-Type Activities	<u>\$ 6,113,740</u>

Construction Commitments

As of December 31, 2015, the City had other outstanding contractual commitments, which include construction and engineering contracts for capital projects currently in progress. The City's outstanding contract obligations are summarized below:

Project	Expended To Date	Remaining Commitment
General Fund Projects	\$ 215,179	\$ 84,176
Street Construction	2,323,016	1,192,933
Utility Construction	2,943,173	1,199,027
Total	\$ 5,481,368	\$ 2,476,136

NOTE 6 - 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	12,324,584
Pension assets	2,476,815
Deferred outflows of resources	1,967,736
Deferred inflows of resources	(2,621,694)
Pension expense/expenditures	(700,770)

State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The City's actual contributions to the plan were \$21,804 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The City's actual contributions to the plan were \$ 1,424,413 for the year ended December 31, 2015.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

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

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2015 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	10.54%	6.36%
July through December 2015	11.54%	6.59%

The City's actual contributions to the plan were \$92,197 for the year ended December 31, 2015.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. 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 three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City's actual contributions to the plan were \$350,634 for the year ended December 31, 2015.

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 the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

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.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
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%
	100%	

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.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 8,276,916	\$ 6,798,274	\$ 5,526,777
PERS 2/3	15,996,319	5,470,600	(2,588,548)
PSERS 2	424,917	55,920	(206,564)
LEOFF 1	(119,180)	(186,291)	(243,490)
LEOFF 2	2,293,811	(2,290,524)	(5,740,411)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

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 \$ 12,324,584 and a total pension asset of (\$2,476,815) for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 6,798,274
PERS 2/3	5,470,600
PSERS 2	55,920
LEOFF 1	(186,291)
LEOFF 2	(2,290,524)

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:

	Liability (or Asset)
LEOFF 2 – employer's proportionate share	(2,290,524)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	(1,514,498)
TOTAL	(3,805,022)

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	.131333%	.129963%	(.001370%)
PERS 2/3	.150489%	.153107%	.002618%
PSERS 2	.319107%	.306379%	(.012728%)
LEOFF 1	.016326%	.015457%	(.000869%)
LEOFF 2	.216106%	.222857%	.006751%

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:

	Pension Expense
PERS 1	\$ (279,414)
PERS 2/3	(188,378)
PSERS 2	9,585
LEOFF 1	(30,206)
LEOFF 2	(212,357)
TOTAL	(572,781)

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:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	371,940
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	15,827	-
TOTAL	15,827	371,940

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	581,526	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,460,391
Changes of assumptions	8,814	-
Changes in proportion and differences between contributions and proportionate share of contributions	84,238	-
Contributions subsequent to the measurement date	788,475	-
TOTAL	1,463,053	1,460,391

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	52,391	-
Net difference between projected and actual investment earnings on pension plan investments	-	27,736
Changes of assumptions	346	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	777
Contributions subsequent to the measurement date	47,717	-
TOTAL	100,454	28,513

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	31,450
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
TOTAL	-	31,450

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	200,574	-
Net difference between projected and actual investment earnings on pension plan investments	-	694,017
Changes of assumptions	6,042	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	35,383
Contributions subsequent to the measurement date	181,785	-
TOTAL	388,401	729,400

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 1
2016	(84,532)
2017	(84,532)
2018	(84,532)
2019	(118,346)

Year ended December 31:	PERS 2/3
2016	(178,594)
2017	(178,594)
2018	(178,594)
2019	(107,156)

Year ended December 31:	PSERS 2
2016	3,461
2017	3,461
2018	3,461
2019	3,461
2020	3,461
Thereafter	3,461

Year ended December 31:	LEOFF 2
2016	(84,320)
2017	(84,320)
2018	(84,320)
2019	(84,320)
2020	(84,320)
Thereafter	(16,864)

Other Post-Employment Medical Benefits

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for 9 LEOFF 1 retirees. The City provides medical insurance and reimbursements for all necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source. Medical insurance for the retirees is provided by the City's employee medical insurance program. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions.

The City provides health coverage for LEOFF 1 retirees through a medical plan purchased through the Association of Washington Cities (AWC) Employees Benefit Trust. In addition, the City pays or reimburses eligible retired LEOFF 1 police officers the necessary usual and customary medical expenses in excess of those covered by the applicable insurance plan. The City also purchases a long-term care insurance plan for eligible LEOFF 1 members. Dental costs and dependents are not covered.

Funding Policy

Funding for LEOFF 1 retiree healthcare costs is provided by the City as required by RCW. These medical benefits are funded on a pay-as-you-go basis through the General Fund and paid out of the Police Department budget. Health insurance premiums are paid monthly and long-term care insurance is paid annually. Other medical services are paid as billings are presented for reimbursement. The City reimbursed 100 percent of the amount of validated claims for medical costs incurred by these individuals. Amounts paid from 2013 through 2015 by the City out of the General Fund are as follows:

	2015	2014	2013
AWC medical premiums	\$ 68,013	\$ 72,172	\$ 106,124
Reimbursement of other eligible costs	21,191	16,905	11,568
Long-term care insurance premiums	22,485	22,485	22,587
Total	<u>\$ 111,689</u>	<u>\$ 111,562</u>	<u>\$ 140,279</u>
Average cost per retiree	\$ 12,410	\$ 12,396	\$ 15,587

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount calculated using the alternative measurement method in accordance with the parameters of GASB Statement 45 for employers in plans with fewer than one hundred total plan members utilizing the interactive tool developed by the Office of the State Actuary OSA for use by local government. 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 accrued actuarial liabilities (UAAL) over a period of twenty years as of December 31, 2015. The following table shows the components of the City's annual OPEB cost for the year, and the amount actually contributed. The net OPEB obligation of \$986,298 is included as a noncurrent liability on the Statement of Net Position.

	12/31/2015
Annual required contribution	\$ 412,597
Interest on net OPEB obligation	28,857
Adjustment to annual required contribution	<u>(64,885)</u>
Annual OPEB cost (expense)	376,569
Contributions made	<u>(111,690)</u>
Change in NPO	264,879
Net OPEB Obligation - Beginning of Year	721,419
Net OPEB Obligation - End of Year	<u>\$ 986,298</u>

Funded Status and Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2015 and the preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 288,907	51.6%	\$ 139,707
12/31/2009	290,545	53.6%	274,388
12/31/2010	271,792	68.1%	361,173
12/31/2011	236,136	76.0%	417,954
12/31/2012	239,715	80.1%	465,717
12/31/2013	209,252	67.0%	534,690
12/31/2014	298,291	37.4%	721,419
12/31/2015	376,569	29.7%	986,298

Actuarial Methods and Assumptions

The City has used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 55.3 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 in the June 30, 2014 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 2013. 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 method. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions

are individually and collectively reasonable for the purposes of this valuation. The interest rate is 5.0%. The amortization period is 20 years (closed) and the medical inflation factor was plus or minus 1%.

NOTE 7 – RISK MANAGEMENT

The City of Marysville is a member of the Washington Cities Insurance Authority (WCIA). Over the past three years settlements have not exceeded the City's coverage limits.

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 the State guidelines.

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

NOTE 8 – LONG-TERM DEBT

Long-term Debt:

The city issues general obligation bonds to finance the purchase, acquisition, and construction of significant capital assets. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. Federal obligation bonds are direct obligations and pledge the full faith and credit of the government.

General government obligation bonds outstanding at December 31, 2015 are as follows:

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (\$)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Governmental Activities						
LTGO Refunding Bonds 2013	10/16/13	12/01/23	3.00-5.00	6,315,000	625,000	5,690,000
LTGO Bonds Series 2007A	05/01/07	12/01/27	4.00-5.50	8,045,000	2,395,000	5,650,000
LTGO Bonds 2010	10/01/10	12/01/34	2.00-5.00	4,990,000	300,000	4,690,000
LTGO Bonds 2013	10/16/13	12/01/30	3.00-5.00	9,005,000	745,000	8,260,000
Total Governmental Activities				\$ 28,355,000	\$ 4,065,000	\$ 24,290,000
Business Activities						
Golf Course	05/17/07	12/01/17	3.90-5.30	2,120,000	1,090,000	1,030,000
Pro-Shop/Restaurant Remodel	08/06/03	08/01/18	5.25	1,740,982	1,322,548	418,434
Total Business Activities				3,860,982	2,412,548	1,448,434
Special Assessments						
LID 71 - 156th Street Overpass	09/23/14	06/01/36	2.05-4.15	6,022,846	915,000	5,107,846
Total Special Assessments				6,022,846	915,000	5,107,846
TOTAL GENERAL OBLIGATION BONDS				\$ 38,238,828	\$ 7,392,548	\$ 30,846,280

Annual debt service requirements to maturity for general obligation bonds are as follows:

YEAR ENDING 12/31	GOVERNMENTAL ACTIVITIES			BUSINESS -TYPE ACTIVITIES			SPECIAL ASSESSMENT		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2016	1,285,000	1,006,489	2,291,489	299,974	73,348	373,322	-	208,160	208,160
2017	1,330,000	958,189	2,288,189	318,215	56,957	375,172	-	203,548	203,548
2018	1,595,000	908,089	2,503,089	275,245	40,006	315,251	-	198,833	198,833
2019	1,660,000	832,389	2,492,389	175,000	29,137	204,137	-	194,015	194,015
2020	1,800,000	753,589	2,553,589	185,000	19,949	204,949	-	194,015	194,015
2021-2025	8,905,000	2,654,447	11,559,447	195,000	10,238	205,238	-	666,202	666,202
2026-2030	5,995,000	1,091,950	7,086,950	-	-	-	-	600,090	600,090
2031-2034	1,720,000	175,400	1,895,400	-	-	-	5,107,846	245,887	5,353,733
TOTAL	\$ 24,290,000	\$ 8,380,542	\$ 32,670,542	\$ 1,448,434	\$ 229,635	\$ 1,678,069	\$ 5,107,846	\$ 2,510,750	\$ 7,618,596

Business-type Long-Term Debt

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (\$)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Water Revenue Bonds	05/31/05	04/01/28	3.750-5.125	48,355,000	48,355,000	-
Water Revenue Bonds	05/29/14	04/01/28	2.00-5.00	39,945,000	470,000	39,475,000
TOTAL REVENUE BONDS				\$ 88,300,000	\$ 48,825,000	\$ 39,475,000

Revenue debt outstanding as of December 31, 2015 is as follows:

Annual debt service requirements to maturity for revenue bonds are as follows:

YEAR ENDING 12/31	BUSINESS-TYPE ACTIVITY		
	PRINCIPAL	INTEREST	TOTAL
2016	2,325,000	1,525,875	3,850,875
2017	2,420,000	1,431,450	3,851,450
2018	2,505,000	1,345,050	3,850,050
2019	2,610,000	1,122,300	3,732,300
2020	2,730,000	1,242,750	3,972,750
2021-2025	15,840,000	3,400,900	19,240,900
2026-2028	11,045,000	503,475	11,548,475
TOTAL	\$ 39,475,000	\$ 10,571,800	\$ 50,046,800

Other Business-type long term debt outstanding as of December 31, 2015 is as follows:

DESCRIPTION	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE (\$)	AMOUNT ORIGINALLY ISSUED	REDEMPTION TO DATE	DEBT OUTSTANDING
Governmental Activities						
800 MHZ	10/01/99	12/01/19	4.75-6.00	\$ 1,013,033	\$ 1,013,033	\$ -
800 MHZ (Refunded)	08/27/15	12/01/19	5.00	\$ 381,842	\$ 70,271	\$ 311,571
Total Governmental Activities				1,394,875	1,083,304	311,571
PWTFL-WWTP	10/22/01	07/01/21	0.50	1,000,000	684,211	315,789
PWTFL-WWTP	02/04/02	07/01/22	0.50	10,000,000	6,294,118	3,705,882
PWTFL-WWTP Phase II	05/13/04	07/01/24	0.50	10,000,000	5,263,158	4,736,842
DWRFL-Stilly Well	12/12/03	10/01/23	1.50	4,080,000	2,300,818	1,779,182
Total Other Long Term Obligations				25,080,000	14,542,305	10,537,695
TOTAL BUSINESS-TYPE LONG TERM OBLIGATIONS				\$ 26,474,875	\$ 15,625,609	\$ 10,849,266

Annual debt service requirement to maturity for other long term debt is as follows:

YEAR ENDING 12/31	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2016	72,662	15,579	88,241	1,330,757	70,480	1,401,237
2017	76,017	11,945	87,962	1,330,757	61,603	1,392,360
2018	79,369	8,145	87,514	1,330,757	52,725	1,383,482
2019	83,524	4,176	87,700	1,330,756	43,846	1,374,602
2020	-	-	-	1,330,756	34,969	1,365,725
2021-2024	-	-	-	3,883,912	54,536	3,938,448
TOTAL	\$ 311,571	\$ 39,845	\$ 351,416	\$ 10,537,695	\$ 318,159	\$ 10,855,854

At December 31, 2015, the City has \$ 1,363,138 available in governmental debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$ 5,526,424 in sinking funds and reserves as required by bond indentures.

Refunded Debt

Prior Years' Defeasance of Debt. In prior years, the City defeased certain obligations for payment by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the liability for the refunded bonds and related securities and escrow account assets is not included in the accompanying financial statements. On December 31, 2015, \$ 48,680,000 of bonds outstanding is considered defeased.

NOTE 9 – LEASES

Lease Revenue

The City entered into a lease with option to purchase agreement with the Boys and Girls Club of Snohomish County leasing a portion of the City facility located at 1010 Beach Avenue. The lease agreement began on January 1, 2010 and will terminate on December 31, 2024, with the option to extend an additional five years. The option to purchase the facility cannot be exercised prior to the termination of the lease period. This asset has a cost of \$ 1,777,533, accumulated depreciation of \$73,234 and a carrying value of \$1,704,299. Non-cancelable lease provides for a minimum annual payment as follows:

Year Ending December 31	Minimum Future Rent
2016	28,611
2017	28,611
2018	28,611
2019	28,611
2020	28,611
2021-2024	114,440
Total	\$ 257,495

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 25,530,000	\$ -	\$ (1,240,000)	\$ 24,290,000	\$ 1,285,000
For issuance premiums	1,016,088	-	(93,525)	922,563	-
Total bonds Payable	26,546,088	-	(1,333,525)	25,212,563	1,285,000
Governmental loans	412,216	381,843	(482,488)	311,571	72,662
Special Assessment	6,022,846	-	(915,000)	5,107,846	-
Pension Liabilities	-	8,320,087	-	8,320,087	-
Other post-employment benefits	721,419	264,879	-	986,298	-
Compensated absences	1,663,576	1,842,367	(1,663,576)	1,842,367	921,183
Governmental activity long-term liabilities:	<u>\$ 35,366,145</u>	<u>\$ 10,809,176</u>	<u>\$ (4,394,589)</u>	<u>\$ 41,780,732</u>	<u>\$ 2,278,845</u>
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 1,730,707	\$ -	\$ (282,273)	\$ 1,448,434	\$ 299,974
Revenue Bond	42,185,000	-	(2,710,000)	39,475,000	2,325,000
For issuance discounts	(2,897)	966	-	(1,931)	-
For issuance premiums	3,942,038	-	(303,234)	\$ 3,638,804	-
Total bonds Payable	47,854,848	966	(3,295,507)	44,560,307	2,624,974
Governmental loans	11,868,452	-	(1,330,757)	10,537,695	1,330,757
Pension Liabilities	-	4,004,708	-	4,004,708	-
Compensated absences	289,332	321,058	(289,332)	321,058	160,529
Business-type activity long-term liabilities:	<u>\$ 60,012,632</u>	<u>\$ 4,326,732</u>	<u>\$ (4,915,596)</u>	<u>\$ 59,423,768</u>	<u>\$ 4,116,260</u>

1) The general fund has been used to liquidate other post employment benefits

Since internal service funds predominantly serve the governmental funds, their long-term liabilities are included as part of the above totals for governmental activities. At year end \$ 103,436 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities compensated absences are generally liquidated by the general fund.

NOTE 11 - CONTINGENCIES AND LITIGATION

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

The City of Marysville is the defendant in certain legal actions. At this time the City Attorney is unable to determine the probability of the outcomes in these cases. However, in all cases of legal actions against the city, the City Attorney believes there are meritorious defenses to the plaintiffs' claims, and that both separately and collectively the alleged damages in these cases are within the coverage limits of the city's insurance policies. Therefore, the city believes that the costs of defending these claims, and any awards, if any, will not be material to the city's financial position.

NOTE 12 - INTERFUND TRANSACTIONS AND BALANCES

Loans between funds are classified as interfund loans receivable and payable, or advances to and from other funds depending on the time period for which the loan was made. Advances to other funds are typically loans that are not expected to be repaid within one year from the date of the financial statements. Interfund loans receivable and payable are used primarily to meet short-term cash flow requirements while waiting for other financing instruments to be put in place.

Interfund loan balances at December 31, 2015 were:

Funds	Interfund Loans Receivable	Interfund Loans Payable
General Fund	400,000	
Transportation Benefit District		400,000
Total	\$ 400,000	\$ 400,000

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

Fund	Total Transfer Out	Transfer In							
		General	Street Construction	Street Maintenance	Nonmajor Governmental	Waterworks Utility	Solid Waste	Nonmajor Enterprise	Internal Services
General Fund	4,590,315	-	520,000	2,354,688	1,290,730	-	-	370,968	53,929
Street Construction	904,139	-	-	-	904,139	-	-	-	-
Street Maintenance	74,583	-	-	-	-	-	-	-	74,583
Nonmajor Governmental Funds	3,017,075	93,479	1,500,000	1,220,781	200,543	-	2,272	-	-
Waterworks Utility	1,579,150	775,597	-	718,884	-	-	-	-	84,669
Solid Waste	1,107,305	-	-	-	-	-	-	-	1,107,305
Total Transfer In	\$ 11,272,567	\$ 869,076	\$ 2,020,000	\$ 4,294,353	\$ 2,395,412	\$ -	\$ 2,272	\$ 370,968	\$ 1,320,486

NOTE 13 – JOINT VENTURES

Snohomish County Emergency Radio System

The **Snohomish County Emergency Radio System (SERS)**, a nonprofit corporation pursuant to chapter 24.06 RCW and IRC 501©(3), was established via an interlocal agreement in 1999 with Snohomish County, SNOCOM, SNOPAC, and the Cities of Brier, Edmonds, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Woodway. The purpose of SERS is to design, develop, finance, acquire, install, operate, maintain, repair and replace the county's public safety communications service. The governing board consists of ten directors, one appointed by each City and County member, with the authority to take all actions on behalf of SERS. As of December 31, 2015, an equity interest in the SERS joint venture of \$ 376,660 was recorded in governmental activities on the statement of net position. Separate financial statements for the joint venture may be obtained from Snohomish County, Finance Department, 3000 Rockefeller Avenue, Everett, WA 98201.

SNOPAC 911 Emergency Communications

The City and other Police and Fire entities (currently 37) operate jointly the Snohomish County Police Staff and Auxiliary Service Center, (SNOPAC). SNOPAC, a cash basis, special purpose district, was created under the Interlocal Cooperation Act, as codified in RCW 39.34. This established the statutory authority necessary for Snohomish County, the cities, towns, fire districts, police districts and other service districts to enter into a contract and agreement to jointly establish, maintain and operate a support communications center. Control of SNOPAC is with an 11 member Board of Directors which is specified in the Interlocal Agreement. SNOPAC takes 911 calls, and performs emergency dispatch services for local governmental agencies include police, fire and medical aid.

In the event of the dissolution of SNOPAC, any money in the possession of SNOPAC or the Board of Directors after payment of all costs, expenses and charges validly incurred under this agreement shall be returned to the parties to this agreement in proportion to their contribution during the fiscal year of dissolution. Before deducting the payment of all costs, expenses and charges validly incurred, the city's share was \$2,814,868 on December 31, 2015. Complete financial statements for SNOPAC can be obtained from SNOPAC's administrative office at 1121 SE Everett Mall Way, Suite 200, Everett, WA 98208.

Alliance of Housing Affordability

In September, 2013, the City of Marysville joined the cities of Everett, Granite Falls, Lake Stevens, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Snohomish, the Town of Woodway and Snohomish County to establish the Alliance of Housing Affordability (AHA). The agreement was amended in May 2014, to add the City of Arlington and in June 2014, to add the City of Stanwood. The purpose of the AHA is to cooperatively formulate affordable housing goals and policies and to foster efforts to prove affordable housing by providing expertise and information to member jurisdictions. Operating funding is provided by the member cities.

AHA is governed by a joint board composed of an elected official from each of the members. The joint board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The board is assisted by an administrative staff housed at the Housing Authority of Snohomish County. Fiscal agent duties are performed by the City of Mountlake Terrace.

Each member city is responsible for contributing operating revenue as determined from the AHA annual budget. Contributions from the member cities are based on population. A grant from the Gates Foundation provided \$50,000 to assist with the first two years of start-up costs. The City of Marysville's equity share to date is:

Year	AHA Budget	Marysville's Share	% of Budget
2013	\$89,850	\$ 3,613	4.0%
2014	\$92,543	\$ 3,721	4.0%
2015	123,464	\$4,611	3.7%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the agreement paid by each member.

Budget monitoring information can be obtained from the Finance Director, City of Mountlake Terrace, 6100 219th Street SW, Mountlake Terrace, WA 98043 or from Kristina Gallant, Housing Analyst, Alliance for Housing Affordability, 12625 4th Ave W., Suite 200, Everett, WA 98204.

AWC Employee Benefit Trust

The City of Marysville 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, 261 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 account standards established by the Governmental Account 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 14 – BLENDED COMPONENT UNITS

Marysville Transportation Benefit District

The Marysville Transportation Benefit District (MTBD), a quasi-municipal corporation, was established through City Ordinance 2938 in January 2014 pursuant to RCW 35.21.225 which grants cities the authority to establish such a district. The MTBD is governed by the Marysville City Council members acting in an ex-officio capacity and maintains no employees. MTBD's sole purpose is to acquire, construct, improve, provide and fund transportation improvements within the City of Marysville which is consistent with any existing state, regional and local transportation plan.

In April 2014, the voters approved a .2% increase in sales tax which went into effect on October 1, 2014. The .2% increase in sales will be used to fund ongoing transportation improvements that preserve, maintain and as appropriate, construct or reconstruct the transportation infrastructure of the City of Marysville.

During the third special session of the 2015 Washington state legislative session the legislature passed and the governor signed 2ESSB 5987 which became effective July 15, 2015, as chapter 44 Laws of 2015 3rd special Session. Chapter 44 Laws of 2015 3rd special Session sections 301 through 307 authorizes a city to assume the rights, powers, functions, immunities and obligations of a transportation benefit district that has coterminous with the boundaries of the city. Since the boundaries of the MTBD are coterminous with the boundaries of the City of Marysville, on November 9, 2015 the Marysville City Council passed ordinance 3006 assuming the rights powers, immunities, functions and obligations of the MTBD. The MTBD will no longer be reported as a blended component unit.

NOTE 15 – OTHER DISCLOSURES

NET INVESTMENT IN CAPITAL ASSETS RESTATED

Net Investment in Capital Assets (restated)		
	Governmental Activity	Business Activity
Net Capital Assets	171,442,380	161,345,552
Less Noncurrent Debt	(28,351,755)	(47,505,398)
Less Current Debt Principal	(1,357,662)	(3,955,731)
Less Debt Premium	(922,563)	(3,636,873)
Plus Deferred Outflow Related to Debt	-	570,804
Net investments in capital assets	140,810,400	106,818,354

SUBSEQUENT EVENT

Effective January 1, 1992, Snohomish County Fire Protection District 12 entered into an interlocal agreement with the City of Marysville (City) to create the Marysville Fire District. The interlocal agreement provides for the joint operation of the Marysville Fire District administered by a six member governing board consisting of three Fire Protection District 12 Commissioners and three City of Marysville Council members. The board administers and manages the operations of the Marysville Fire District to provide fire protection and emergency medical response services in the City and District 12. Financial contribution by the City of Marysville for the 2015 calendar year was an amount equal to the prior year's contribution multiplied by the percent change (rounded to the nearest tenth) in levy amount calculated as if the City and District 12 were combined. The calculation will begin with the combining of the prior year levy amounts for the City and District 12, as determined by the Snohomish County Assessor, to determine the "base amount". The base amount was increased by 1%. In addition, new construction and state assessed property increase will be included with the assessed values for new construction multiplied by the prior year agreement levy rate and the current year's state assessed property value less last year's state assessed property value with the remainder multiplied by the prior year agreement levy rate. The City's financial contribution for year ended December 31, 2015 was \$9,381,127.

On July 30, 2015 the City of Marysville sent notice of termination to Fire District 12, beginning a three-year termination period per the interlocal agreement.

On March 14, 2016 the Marysville City Council approved an amendment, submitted by Fire District 12, to the agreement with Fire District 12 to accelerate the termination of the existing interlocal agreement from the initial three-year period to December 31, 2016.

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 33,915,488	\$ 33,915,488	\$ 33,902,657	\$ (12,831)
Licenses & Permits	1,892,789	1,892,789	1,815,888	(76,901)
Intergovernmental	1,190,151	1,335,492	1,304,145	(31,347)
Charges for Services	5,252,573	5,252,573	5,023,180	(229,393)
Fines & Forfeitures	527,190	527,190	533,954	6,764
Investment Earnings	167,986	167,986	150,056	(17,930)
Rents & Leases	222,000	222,000	183,187	(38,813)
Miscellaneous Revenues	92,942	103,642	78,711	(24,931)
Total Revenues	43,261,119	43,417,160	42,991,778	(425,382)
EXPENDITURES				
Current:				
Judicial	1,408,615	1,408,615	1,365,223	43,392
General Government	6,386,956	6,067,409	5,512,756	554,653
Public Safety	25,476,395	25,685,075	25,666,216	18,859
Physical Environ	1,205,515	1,205,515	1,096,568	108,947
Health & Human Services	41,400	41,400	40,693	707
Economic Environment	2,555,835	2,555,835	2,273,175	282,660
Culture & Recreation	2,506,582	2,763,690	2,695,786	67,904
Capital Outlay				
Public safety	-	-	26,115	(26,115)
Culture & recreation	-	-	61,918	(61,918)
Total Expenditures	39,581,298	39,727,539	38,738,450	989,089
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	3,679,821	3,689,621	4,253,328	563,707
OTHER FINANCING SOURCES (USES)				
Transfers in	873,925	873,925	869,076	(4,849)
Transfers out	(5,920,898)	(5,930,898)	(4,590,315)	1,340,583
Total other financing sources (uses)	(5,046,973)	(5,056,973)	(3,721,239)	1,335,734
Net change in fund balances	(1,367,152)	(1,367,352)	532,089	1,899,441
Fund balances--beginning	15,039,934	15,039,934	14,224,582	(815,352)
FUND BALANCES - ENDING	\$ 13,672,782	\$ 13,672,582	\$ 14,756,671	\$ 1,084,089

The city's budget is adopted on a GAAP basis.

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FUND 101 - STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Licenses & Permits	\$ 50,000	\$ 50,000	\$ 41,028	\$ (8,972)
Intergovernmental	1,270,154	1,270,154	1,325,796	55,642
Charges for Services	-	-	49,343	49,343
Investment Earnings	-	-	833	833
Miscellaneous Revenues	10,000	10,000	45,974	35,974
TOTAL REVENUES	1,330,154	1,330,154	1,462,974	132,820
EXPENDITURES				
Current:				
General Government	33,777	33,777	21,091	12,686
Transportation	6,091,337	6,202,337	5,538,841	663,496
Capital Outlay	115,000	115,000	-	115,000
TOTAL EXPENDITURES	6,240,114	6,351,114	5,559,932	791,182
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(4,909,960)	(5,020,960)	(4,096,958)	924,002
OTHER FINANCING SOURCES (USES):				
Transfers In	4,981,960	5,092,960	4,294,353	(798,607)
Transfers Out	(72,000)	(72,000)	(74,583)	(2,583)
Total other financing sources (uses)	4,909,960	5,020,960	4,219,770	(801,190)
Net change in fund balances	-	-	122,812	122,812
Fund balances - beginning	-	-	374,189	374,189
FUND BALANCES - ENDING	\$ -	\$ -	\$ 497,001	\$ 497,001

The city's budget is adopted on a GAAP basis

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees' Retirement System - Plan 1

As of June 30, 2015

Last 1 Fiscal Years

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.129963%
Employer's proportionate share of the net pension liability	6,798,274
Employer's covered employee payroll	180,239
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	3771.81%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

Public Employees' Retirement System - Plan 2/3

As of June 30, 2015

Last 1 Fiscal Years

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.153107%
Employer's proportionate share of the net pension liability	5,470,600
Employer's covered employee payroll	13,645,668
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	40.09%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

The City currently does not have 10 years of pension data available

Public Safety Employees' Retirement System - Plan 2
As of June 30, 2015
Last 1 Fiscal Years

	<u>2015</u>
<u>Employer's proportion of the net pension liability (asset)</u>	0.306379%
<u>Employer's proportionate share of the net pension liability</u>	55,920
<u>Employer's covered employee payroll</u>	888,526
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	6.29%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	95.08%

Law Enforcement Officers' and Fire Fighters' Retirement-Plan 1
As of June 30, 2015
Last 1 Fiscal Years

	<u>2015</u>
<u>Employer's proportion of the net pension liability (asset)</u>	(0.015457%)
<u>Employer's proportionate share of the net pension liability</u>	(186,291)
<u>Employer's covered employee payroll</u>	0
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	0.00%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	127.36%

LEOFF 1 is closed and no longer accepts contributions

The City currently does not have 10 years of pension data available

Law Enforcement Officers' and Fire Fighters' Retirement-Plan 2
As of June 30, 2015
Last 1 Fiscal Years

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	(0.222857%)
Employer's proportionate share of the net pension Asset	(2,290,524)
 LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer	 (1,514,498)
TOTAL	(3,805,022)
Employer's covered employee payroll	6,467,801
Employer's proportionate share of the net pension asset as a percentage of covered employee payroll	35.41%
Plan fiduciary net position as a percentage of the total pension liability	111.67%

The City currently does not have 10 years of pension data available

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Public Employees' Retirement System - Plan 1

As of December 31, 2015

Last 1 Fiscal Years

	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	21,804
<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>(21,804)</u>
<u>Contribution deficiency (excess)</u>	<u>0</u>
<u>Covered employer payroll</u>	209,105
<u>Contributions as a percentage of covered employee payroll</u>	10.43%

Public Employees' Retirement System - Plan 2

As of December 31, 2015

Last 1 Fiscal Years

	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	1,424,413
<u>Contributions in relation to the statutorily or contractually required contributions</u>	<u>(1,424,413)</u>
<u>Contribution deficiency (excess)</u>	<u>0</u>
<u>Covered employer payroll</u>	14,116,258
<u>Contributions as a percentage of covered employee payroll</u>	10.09%

The City currently does not have 10 years of pension data available

Public Safety Employees' Retirement System - Plan 2
As of December 31, 2015
Last 1 Fiscal Years

	<u>2015</u>
Statutorily or contractually required contributions	92,197
Contributions in relation to the statutorily or contractually required contributions	<u>(92,197)</u>
Contribution deficiency (excess)	<u>0</u>
Covered employer payroll	838,923
Contributions as a percentage of covered employee payroll	10.99%

Law Enforcement Officers & Fire Fighters' Retirement System
Plan 2
As of December 31, 2015
Last 1 Fiscal Years

	<u>2015</u>
Statutorily or contractually required contributions	350,634
Contributions in relation to the statutorily or contractually required contributions	<u>(350,634)</u>
Contribution deficiency (excess)	<u>0</u>
Covered employer payroll	6,721,887
Contributions as a percentage of covered employee payroll	5.22%

The City currently does not have 10 years of pension data available

OTHER POST-EMPLOYMENT MEDICAL BENEFITS (OPEB)

SCHEDULE OF FUNDING PROGRESS

Measurement Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL/(UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll
12/31/2008	-	3,102,730	0.0%	3,102,730	-	N/A
12/31/2009	-	3,192,515	0.0%	3,192,515	-	N/A
12/31/2010	-	3,060,708	0.0%	3,060,708	-	N/A
12/31/2011	-	2,722,621	0.0%	2,722,621	-	N/A
12/31/2012	-	2,790,393	0.0%	2,790,393	-	N/A
12/31/2013	-	2,487,921	0.0%	2,487,921	-	N/A
12/31/2014	-	3,613,406	0.0%	3,613,406	-	N/A
12/31/2015	-	4,587,418	0.0%	4,587,418	-	N/A

*The covered payroll was zero as all covered employees are retired

City of Marysville
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-5-0023	-	107,643	33,250	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-5-0023	-	136,856	63,460	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-5-0023	-	48,138	26,257	
Total CFDA 14.218:				-	292,637	122,967	
Office For Victims Of Crime, Department Of Justice (via Department of Commerce Community Services and Housing Division)	Antiterrorism Emergency Reserve	16.321	2016-RF-GX- K001	120,174	-	-	3,4
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	15-040-0-1-754	-	3,967	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1053	-	11,410	-	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via Department of Transportation)	Highway Planning and Construction	20.205	LA-7980	12,197	-	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Department of Transportation)	Highway Planning and Construction	20.205	LA-8577	437,615	-	-	
Total Highway Planning and Construction Cluster:				449,812	-	-	
Office Of Solid Waste And Emergency Response, Environmental Protection Agency (via Office of Solid Waste and Emergency Response)	Brownfields Assessment and Cleanup Cooperative Agreements	66.818	00J77201	15,100	-	-	
Department Of Homeland Security (via Washington State-Military Department)	Homeland Security Grant Program	97.067	E15-082	128	-	-	
Total Federal Awards Expended:				585,214	308,014	122,967	

The accompanying notes are an integral part of this schedule.

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the city's financial statements

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represents only the grant portion of the program costs. Entire program costs, including the city's portion may be more than shown.

NOTE 3 - AWARD FOR PRIOR YEAR EXPENDITURE

The City was awarded an Antiterrorism Grant on 10/23/2015 to recovery costs incurred the day of the Marysville-Pilchuck school shooting and the year following the incident. The grant allowed for 2014 costs to be reimbursed. The amount listed above includes \$23,441 of costs incurred in 2014.

NOTE 4 - INDIRECT COST RATE

The amount received includes \$2,337 claimed as an indirect cost recovery using the 10% di minimus rate.

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	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov