



**Office of the Washington State Auditor**  
**Pat McCarthy**

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

## **City of Olympia**

**Thurston County**

**For the period January 1, 2016 through December 31, 2016**

**Published September 25, 2017**

**Report No. 1019884**





**Office of the Washington State Auditor**  
**Pat McCarthy**

September 25, 2017

Mayor and City Council  
City of Olympia  
Olympia, Washington

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

Please find attached our report on the City of Olympia'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 cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Olympia  
Thurston County  
January 1, 2016 through December 31, 2016**

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

The results of our audit of the City of Olympia 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 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 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**

See finding 2016-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### City of Olympia Thurston County January 1, 2016 through December 31, 2016

#### **2016-001    The City did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.**

<b>CFDA Number and Title:</b>	14.218 - Community Development Block Grants/Entitlement Grants
<b>Federal Grantor Name:</b>	Department of Housing and Urban Development (HUD)
<b>Federal Award/Contract Number:</b>	B10MC530012, B13MC530012, B14MC530012, B15MC530012, B16MC530012
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

#### ***Description of Condition***

During fiscal year 2016, the City spent \$622,333 of federal funds in its Community Development Block Grants/Entitlement Grants program. The purpose of this program is to develop viable urban communities by providing decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income.

Federal regulations prohibit grant recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The City is required to verify that all contractors receiving \$25,000 or more in federal funds and all subrecipients have not been suspended or debarred or otherwise excluded. The verification may be accomplished by obtaining a written certification or inserting a clause into the contract. Alternatively, the City may review the federal Excluded Parties List System (EPLS) issued by the U.S. General Services Administration. This requirement must be met before entering into the contract.

The City is responsible only for determining the status of the primary contractor or subrecipient. Accordingly, the primary contractor or subrecipient must check the status of any covered transactions they enter into at the next lower level. The City is responsible for informing the primary contractor or subrecipient of this responsibility. The City did not properly inform the primary contractor or subrecipient of this responsibility.

We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance. This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

The City of Olympia Community Planning and Development department was aware of the requirement to verify the suspension and debarment status of its subrecipients. However, it did not notify the primary subrecipients of their responsibility to check the status of any covered transactions that they enter into at the next lower level.

### ***Effect of Condition and Questioned Costs***

During the audit period, the City had 17 contracts with subrecipients. There is no evidence that the City informed the primary subrecipients of their responsibility to check the status of any covered transactions that they entered into at the next lower level.

### ***Recommendation***

We recommend the City establish and follow internal controls to ensure compliance with suspension and debarment requirements.

### ***City's Response***

*The City of Olympia would like to thank the State Auditor's Office (SAO) for its review of the City's federal grant programs and for the opportunity to provide a response to the audit finding related to the Community Development Block Grants program. The City has not had an audit finding since 2012, a finding related to suspension and debarment reporting, a direct result of diligent work on behalf of the staff and continued training related to federal grant reporting and management.*

*The City is committed to the internal control process related to federal grant management, compliance regulations, and reporting. The City of Olympia will ensure that employees managing grants will update their policies and procedures to check the suspension and debarment status of primary vendors and*

*subrecipients as well as notify the subrecipients of their responsibility to check the status of their vendors and subrecipients. The City will document these steps and will print the results of the suspension and debarment search for the files.*

### ***Auditor's Remarks***

We appreciate the steps the City is taking to resolve this issue. We will follow up on this issue during our next audit.

### ***Applicable Laws and Regulations***

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 200.303 Internal Controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 200.516 Audit Findings, establishes reporting requirements for audit findings, and requirements for management of Federal awards to non-Federal entities.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 180, *OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.



**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 Olympia  
Thurston County  
January 1, 2016 through December 31, 2016**

Mayor and City Council  
City of Olympia  
Olympia, 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 Olympia, Thurston County, Washington, as of and for the year ended December 31, 2016, 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 27, 2017.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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



Pat McCarthy

State Auditor

Olympia, WA

June 27, 2017

**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 Olympia  
Thurston County  
January 1, 2016 through December 31, 2016**

Mayor and City Council  
City of Olympia  
Olympia, Washington

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

We have audited the compliance of the City of Olympia, Thurston 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, 2016. 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, 2016.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

### **City's Response to Findings**

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2016-001 to be a material weakness.

### **City's Response to Findings**

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Olympia Thurston County January 1, 2016 through December 31, 2016**

Mayor and City Council  
City of Olympia  
Olympia, 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 Olympia, Thurston County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 18.

### **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 Olympia, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 30, budgetary comparison information on page 83, pension plan information on pages 84 through 87 and information on postemployment benefits other than pensions on page 88 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.

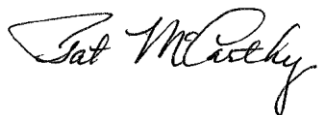


### ***Supplementary and Other Information***

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 27, 2017 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.



Pat McCarthy

State Auditor

Olympia, WA

June 27, 2017

## FINANCIAL SECTION

**City of Olympia  
Thurston County  
January 1, 2016 through December 31, 2016**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2016

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –  
2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2016

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities – 2016

Statement of Net Position – Proprietary Funds – 2016

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2016

Statement of Cash Flows – Proprietary Funds – 2016

Trust and Agency Statement of Fiduciary Net Position – Fiduciary Funds – 2016

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2016

Notes to Financial Statements – 2016

### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –  
General Fund – 2016

Schedules of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3,  
PSERS 2, LEOFF 1 and LEOFF 2 – 2016

Schedules of Employer Contributions – PERS 1, PERS 2/3, PSERS 2, LEOFF 1 and  
LEOFF 2 – 2016

Firemen's Pension Fund Plan – Schedule of Changes in Net Position Liability and  
Related Ratios – 2016

Firemen's Pension Plan – Schedule of Contributions – 2016

Schedule of OPEB Funding Progress – Law Enforcement and Firemen – 2016  
Schedule of Percentage of Annual OPEB Cost Contributed – Law Enforcement and  
Firemen – 2016

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2016  
Notes to the Schedule of Expenditures of Federal Awards – 2016

## Management's Discussion and Analysis

This management's discussion and analysis (MD&A) is an overview of the financial activity of the City of Olympia for the year ended December 31, 2016. The MD&A is included in the scope of the financial audit by the State of Washington, State Auditor's Office. We encourage readers to consider this information in conjunction with additional information that we have furnished in the letter of transmittal, which is not included in the scope of the audit, and can be found at the beginning of this document.

## Using this Report

This report presents the financial activity of the City as a whole (government-wide) in the Statement of Net Position and the Statement of Activities. These statements provide a roll-up of financial information with governmental and business type activities each reported in a single column. The report also provides Major Fund Financial Statements for significant funds and Combining Fund Financial Statements for minor funds, which provide more detail than the government-wide statements. More detailed statements are also provided for the business type activities. Budgetary information is provided for the General Fund. Fiduciary (trust and agency) activities are not included in the government-wide statement, but statements of net position for these activities are separately included in the report. The notes to the financial statements are an integral part of this report. Finally, there is supplemental information related to the financial activity of the City.

## Financial Highlights

- The assets and deferred outflows of the City of Olympia exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$333 million (net position). Of this amount, \$29.5 million represents unrestricted net position; of which \$6.2 million is unrestricted net position of the Governmental Activities and \$23.3 million is unrestricted net position of the Business Type Activities. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City of Olympia's governmental funds reported a combined fund balance of \$44.3 million, a \$5 million increase in comparison with the restated prior year. Approximately 14.9 percent of this amount (\$6.6 million) is available for spending at the government's discretion (unassigned fund balance). Approximately 37.7 percent of this amount (\$16.7 million) would require the council action to re-allocate the resources (assigned and committed fund balance). The remaining 47.4 percent (\$21 million) is not available for discretionary spending (nonspendable and restricted fund balance).
- In 2016 the City reclassified the Other Post Employment Benefit (OPEB) Trust Fund from a fiduciary fund to a sub-fund of the General Fund, due to the implementation of the Governmental Accounting Standards Board Implementation Guide 2015-1. The OPEB Trust Fund does not meet the specifications of a Fiduciary Trust per the implementation guidance. For management discussion and analysis the City has restated 2015 in the comparative statements to reflect classification. For further information related to the classification, please see the Notes to the Financial Statements-Note 19.

## Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City of Olympia's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

## Government-Wide Financial Statements

Government-wide statements provide information on the financial status and activities of the City as a whole and are presented on an accrual basis of accounting, similar to private business accounting. The statements are presented for Governmental and Business-Type activities. Governmental activities include all operations of the City, except for the Business-Type activities which includes the operations of its utilities. Excluded from the government-wide statements are the Fiduciary Funds (Trust and Agency funds). Fiduciary Funds of the City include the Firemen's Pension Fund, Washington Center Endowment Fund, Municipal Court Trust, and Law Enforcement Records Management Fund.

Government-wide statements are presented in two groups:

Governmental Activities – These activities are for general governmental services such as fire and police services, non-utility public works (such as street maintenance), criminal justice, community development and planning, parks, arts and recreation, and general government administration. These activities are primarily supported by taxes, licenses and permits, fines and forfeitures, and charges for general governmental services.

Business-Type Activities – These activities are mainly supported by charges to customers for services. The Business-Type activities of the City are: Water from sources owned by the City, Sewer collection (the City contracts with the LOTT Wastewater Alliance for sewage treatment), Solid Waste (garbage and recycling) collection, and Stormwater management.

## **Government-Wide Statements: Statement of Net Position and Statement of Activities**

### Statement of Net Position

This statement provides information on all of the City of Olympia's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Olympia is improving or deteriorating. The statement presents separately a roll-up of all Governmental activities and Business-Type activities. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, known as net position, is one way to measure the financial status of the City.

### Statement of Activities

This statement provides information on how the City of Olympia's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

## **Fund Financial Statements**

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

### Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in assessing the City's near-term financing requirements. Because the focus of the governmental funds is narrower than the government-wide financial statement, the City provides a reconciliation to facilitate the comparison of the Government-wide financial statements and the Fund financial statements.

The Basic Governmental Fund financial statements can be found right after the Government-wide financial statements.

### Proprietary Funds

Proprietary Funds are reported under two categories, Enterprise Funds for business-type activities and Internal Service Funds for internal service activities. The City uses the enterprise funds to account for its Water, Sewer, Stormwater, and Solid Waste services. The Internal Service Fund is used to account for the City's Fleet Vehicle Operations, Unemployment Compensation, Risk Management (insurance fund), and Workers' Compensation Fund. The Internal Services Funds predominately benefit governmental rather than business-type functions; therefore they have been included within governmental activities in the government-wide financial statements.

The Basic Proprietary Fund financial statements can be found right after the Basic Governmental Fund statements.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties other than the City. Fiduciary funds are not reported in the government-wide financial statement because the resources of these funds are not available to support the City's own programs. The City maintains three different types of Fiduciary funds; Pension Trust Fund, Private-purpose Trust Fund, and Agency Funds. The Pension trust fund is used to report resources held in trust for retired firefighters hired prior to March 1970 and their beneficiaries covered by the Firemen's Pension Plan. The Private-purpose trust fund is used to report resources held in trust for the Washington Center for Performing Arts. The Agency fund reports resources held by the City in a custodial capacity for the Municipal Court and Law Enforcement Records Management System.

The Fiduciary Fund financial statements can be found right after the Basic Proprietary Fund statements.

## **Notes to the Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the basic financial statements. The notes can be found right after the Basic Fiduciary Fund statements.

## **Other Information**

Following the Notes to the Financial Statements, the City presents the required supplementary information (RSI). Within the RSI the City reports on its General Fund Budget, its proportionate share of the state sponsored pension plans, its contributions to the state sponsored pension plans, and its obligation to provide pension and other post-employment benefits (OPEB) for its Fire Pension and LEOFF 1 employees. The only OPEB obligation of the City is to the 70 qualifying police officers and firefighters hired prior to October 1, 1977. Additional financial information and data is provided in the combining statements, other supplementary information, and statistical information, which follow the RSI.

## Government-wide Overall Financial Analysis

### Statement of Net Position.

As discussed earlier, net position over time may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$333 million as of December 31, 2016. The following statement provides information on all assets and liabilities of the City.

Summary of Statement of Net Position (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015 Restated*	2016	2015	2016	2015 Restated*
Current Assets	\$67.3	\$63.0	\$31.3	\$27.7	\$98.6	\$90.7
Other Assets	12.7	15.7	1.3	1.3	14.0	17.0
Capital Assets	248.7	248.7	122.0	124.7	370.7	373.4
Total Assets	328.7	327.4	154.6	153.7	483.3	481.1
Deferred Outflows of Resources	6.5	3.2	1.3	0.7	7.8	3.9
Total Deferred Inflows of resources	6.5	3.2	1.3	0.7	7.8	3.9
Current Liabilities	10.3	12.9	4.0	6.0	14.3	18.9
Unearned Revenue	7.4	7.6	0.0	0.0	7.4	7.6
Non-Current Liabilities	100.0	90.9	35.6	35.3	135.6	126.2
Total Liabilities	117.7	111.4	39.6	41.3	157.3	152.7
Deferred Inflows of Resources	0.5	4.6	0.1	0.8	0.6	5.4
Total Deferred Inflows of resources	0.5	4.6	0.1	0.8	0.6	5.4
Net Position						
Net Investment in Capital Assets	180.4	182.9	91.6	93.3	272.0	276.2
Restricted	30.2	26.9	1.3	1.3	31.5	28.1
Unrestricted	6.2	4.8	23.3	17.7	29.5	22.6
Total Net Position	\$216.8	\$214.6	\$116.2	\$112.3	\$333.0	\$326.9

\* 2015 Governmental Funds was restated due to the reclassification of the OPEB Trust Fund from a Fiduciary Trust Fund into the General Fund, see note 19 for further information.

The largest portion of the City's net position is its net investment of capital assets. This category makes up 81.7 percent of the City's total net position and though the City uses these capital assets to provide services to its citizens, these assets are not available for future spending.

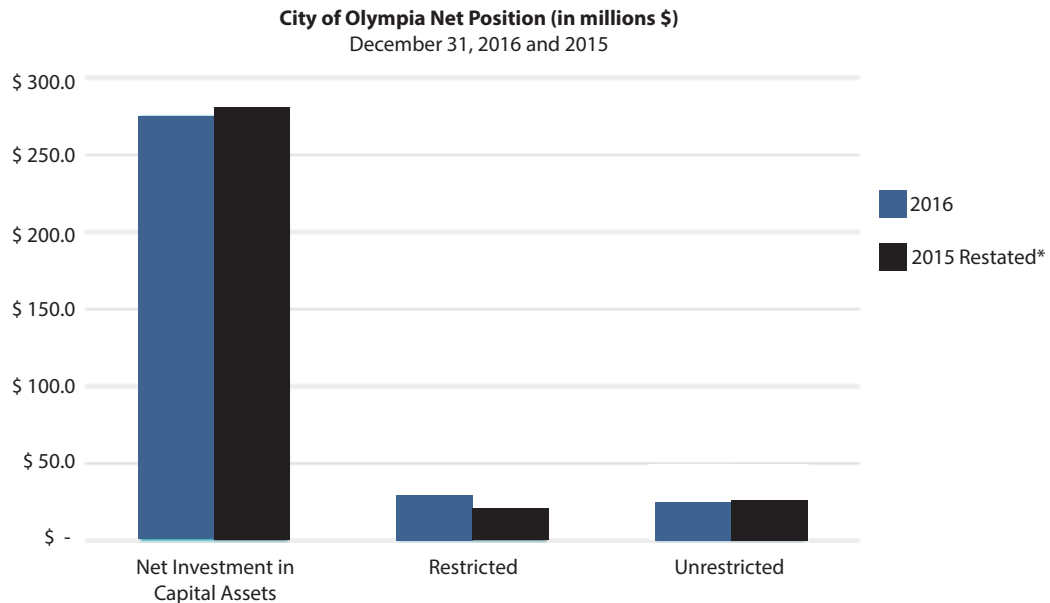
Restricted net position, makes up 9.5 percent of the total net position and represents the resources that are subject to external restrictions on how they may be used. These restrictions include debt covenants, laws (enabling legislation), grant requirements, or some other reason which imposes a limit on the use of the assets which is outside the control of the City.

The remaining balance of \$29.5 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. Although this amount is unrestricted, a significant portion has been reserved or set aside for various purposes.

Shown in the following chart are the funds and categories of net position. The restricted net position for the General Fund consists mostly of \$4.8 million in net pension assets (see note 7) and the \$2 million in assets of the OPEB Trust Fund.

Allocation of Net Position (in million \$)			
	Investment in Capital Assets	Restricted	Unrestricted
General Fund	\$174.8	\$7.4	\$1.1
Special Revenue Funds			
HUD Program -	-	-	-
Impact Fees and Mitigation Fees	-	11.8	-
Lodging Tax and Utility Tax	-	2.6	-
Parking and Transportation	-	5.4	-
Culture and Entertainment	-	0.4	-
Debt Service	-	0.1	-
Capital Projects			
General Capital Improvements	-	-	0.2
Internal Services			
Equipment Rental	5.6	-	4.4
Risk Management	-	-	0.1
Unemployment, Workers' Compensation	-	2.5	0.4
Total Governmental Activities	180.4	30.2	6.2
Utility Operations			
Drinking Water and Wastewater	69.0	1.3	18.9
Waste Resources	0.3	-	1.0
Storm and Surface Water	22.3	-	3.4
Total Utility Operations	91.6	1.3	23.3

At the end of 2016 and 2015 the City reported a positive balance in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. Overall net position of the City increased \$6.1 million from the prior fiscal year. The reasons for the increase are discussed in the following sections for governmental activities and business-type activities.



\* 2015 Governmental Funds was restated due to the reclassification of the OPEB Trust Fund from a Fiduciary Trust Fund into the General Fund, see note 19 for further information.

#### Governmental Activities

During the fiscal year, net position for governmental activities increased by \$2.2 million, to a balance of \$216.8 million. While there wasn't a significant change in the Governmental Activities net position, reductions can be seen in other assets and deferred inflows of resources, and increases in current assets, non-current liabilities and deferred outflows of resources. The majority of the \$3 million reduction in other assets and the \$4.1 million reduction in deferred inflows of resources are due to the respective \$2.6 million decrease in the net pension asset and \$4.1 million reduction in deferred inflows of resources related to pensions, these reductions are related to the pension plans discussed in detail in Note 7 Pension Plans. The \$4.3 increase in current assets is primarily due to the \$4.4 million increase in cash and investments, a net result of resources from receivable collections and the issuance of \$6.1 million 2016 Parks Bond Anticipation Note. The \$3.3 million increase in deferred outflows of resources is related to the deferred outflows related to pensions. The \$9.1 million increase in non-current liabilities is related to the \$4.1 million increase in the net pension liability, \$1.3 million increase in the net OPEB liability, and \$3.5 million increase in notes and bonds. More information on these increases can be found in Note 7 Pension Plans, Note 9 Long Term Liabilities, and Note 17 Post Employment Benefits Other than Pension Benefit. In 2016, the City added \$0.1 million in contributed capital assets in the form of infrastructure (roadways, sidewalks, street lights, and curbs) and donated land.

#### Business-Type Activities

During the fiscal year, net position for business-type activities increased by \$3.9 million, to a balance of \$116.2 million. While there wasn't a significant change in the Business-Type Activities net position, reductions are seen in capital assets, current liabilities, and deferred inflows of resources and increases are seen in current assets, deferred outflows of resources, and non-current liabilities. The reduction in capital assets is the net result of the \$4.6 million annual depreciation and \$1.8 million in additions of capital assets. The \$2 million reduction in current liabilities is the result of timely vendor payments at year end. The \$0.7 million reduction in deferred inflows of resources is related to the deferred inflows related to pensions which are related to the pension plans discussed in detail in Note 7. The \$3.6 million increase in current assets is primarily due to the \$4.5 million increase in cash and investments, a net result of resources from receivable collections. The slight increase of \$0.6 million in deferred outflows of resources is related to pensions. The slight increase of \$0.3 million in non-current liabilities is the net result of changes in the net pension liability and notes and bonds. More information on these changes can be found in Note 7 Pension Plans and Note 9 Long Term Liabilities. In 2016 the City added \$0.4 million contributed capital assets in the form of infrastructure (water, sewer, and stormwater pipelines).

## Statement of Activities

Changes in net position are also affected by revenues and expenses of the government. The following statement presents the operations of the City by function, program revenues supporting each function, and general revenues which support all functions by governmental and business-type activities.

Statement of Changes in Net Position (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015*	2016	2015	2016	2015*
<b>Revenues</b>						
Program Revenues						
Charges for Service	\$23.6	\$24.3	\$49.7	\$46.8	\$73.3	\$71.1
Operating Grants and Contributions	5.4	4.6	0.7	0.2	6.1	4.8
Capital Grants and Contributions	0.4	3.3	0.5	2.4	0.9	5.7
General Revenues:		-				
Property Taxes	14.9	14.8	-	-	14.9	14.8
Utility and B&O Taxes	21.3	19.6	-	-	21.3	19.6
Sales and Other Taxes	25.3	23.5	-	-	25.3	23.5
Other General Revenues	2.1	1.5	0.5	0.3	2.6	1.8
<b>Total Revenues</b>	<b>93.0</b>	<b>91.6</b>	<b>51.4</b>	<b>49.7</b>	<b>144.4</b>	<b>141.3</b>
<b>Program Expenses</b>						
General Government	26.5	27.4	-	-	26.5	27.4
Public Safety	34.0	32.0	-	-	34.0	32.0
Transportation	14.7	15.0	-	-	14.7	15.0
Economic Environment	6.1	4.1	-	-	6.1	4.1
Mental and Physical Health	0.1	0.1	-	-	0.1	0.1
Culture & Recreation	6.0	6.7	-	-	6.0	6.7
Interest on Government Debt	3.4	3.4	-	-	3.4	3.4
Drinking Water and Wastewater	-	-	30.5	31.3	30.5	31.3
Waste Resources	-	-	10.2	9.9	10.2	9.9
Storm and Surface Water	-	-	6.7	6.4	6.7	6.4
<b>Total Expenses</b>	<b>90.8</b>	<b>88.7</b>	<b>47.4</b>	<b>47.6</b>	<b>138.2</b>	<b>136.3</b>
Excess(deficiency) before transfers	2.2	2.9	4.0	2.1	6.2	5.0
Transfers (net)	0.1	0.6	(0.1)	(0.6)	-	-
Increase(decrease) in Net Position	2.3	3.5	3.9	1.5	6.2	5.0
<b>Net Position - beginning</b>	<b>214.6</b>	<b>210.6</b>	<b>112.3</b>	<b>110.0</b>	<b>326.9</b>	<b>320.6</b>
Prior Period Adjustment - Land Assets	-	0.5	-	0.8	-	1.3
<b>Net Position - ending</b>	<b>\$216.9</b>	<b>\$214.6</b>	<b>\$116.2</b>	<b>\$112.3</b>	<b>\$333.1</b>	<b>\$326.9</b>

\* 2015 Governmental Activities was restated due to the reclassification of the OPEB Trust Fund from a Fiduciary Trust Fund into the General Fund, see note 19 for further information.

## Governmental Activities

General Revenues are one source of revenues that supports the government; however various programs will charge for their services. Taxes are the main source of revenue that supports governmental activities. The three major tax sources are property tax, sales tax, and gross receipt (utility and B&O) taxes. Property tax is a fairly stable source for the City amounting to approximately 23.43 percent of total general revenues generated by governmental activities. While stable in nature, voter initiatives have limited the growth in property tax to 1 percent before new construction and annexations, although a higher increase may be authorized by voters. The assessed valuation for 2016 collections after additions for new construction was up from 2015 by 2 percent, the third consecutive year of increase in assessed values since 2009. The average additional property tax from new construction for the last five-years has been approximately \$147,129. Tax assessments on new construction for 2016 were \$138,391.

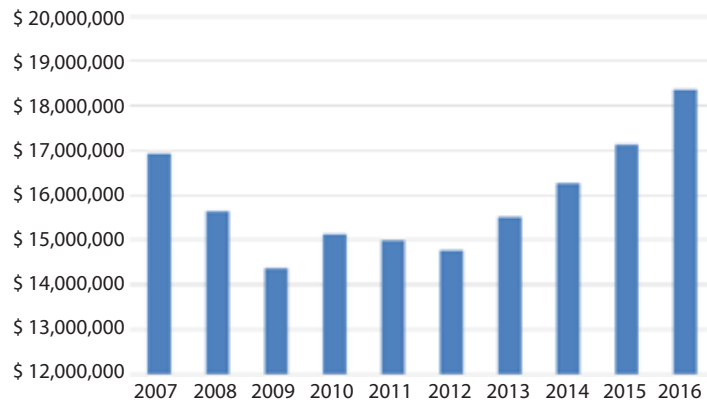
The largest source of tax revenue is sales tax. Sales and Gross receipt taxes make up approximately 73.27 percent of the total general revenues received by the City. Sales tax collections in 2016 were \$1.8 million higher than 2015 collections, bringing in \$25.3 million. A portion of the sales tax collected is the result of the November 2012 voter approved increase of sales tax of one-tenth of one percent for the purpose of supporting the public safety function of the City.



The graph to the right shows regular sales tax collections for the past 10 years, excluding the voter approved sales tax for public safety and criminal justice. The City is approximately \$0.2 million above the peak sales tax collections in 2007. The reduction in sales tax collection from all other years was due to the recession.

Program Expenses increased \$2.1 million for 2016 from 2015. The minimal increase in governmental expenses was a result of the City's efforts to maintain current service levels and add programs and services only as revenue streams allow. The increase of \$2 million in Public Safety and \$2 million in Economic Environment programs were the result of the City's dedication and commitment of a vibrant urban core, thriving business sector, and safe and connected neighborhoods.

**Regular Sales Tax Collections\***



\*excludes criminal justice and public safety sales tax collections

### Business-Type Activities

Charges for services are the main source of revenue for the business-type activities of the City, as required by state law. Charges for service revenues were up \$2.9 million, primarily due to rate increases. The 2016 rate increases were as follows:

- Drinking Water rates increased to provide an overall revenue increase of 7.3 percent,
- Wastewater LOTT sewage treatment rates increased 3 percent,
- Wastewater collection system revenue increase of 5 percent,
- Stormwater revenue increase of 6.7 percent, and
- Solid Waste rates increased by 5.5 percent for residential, 4 percent for commercial, and 9 percent for organic collections.

The City of Olympia Utility Advisory Committee reviews rates and increases and makes recommendations to the City Council. Utility rates are designed to smooth out rate impacts over several years, and take into account long-term planning of the utilities to ensure that the City can meet the needs of users today and in the future.

The utilities have been able to maintain their operating reserves. Water consumption based revenue for the Drinking Water and Waste Water (commercial charges based on water consumption) utilities had declined in past years due to effective water conservation efforts and updated technology that more accurately records water usage. These factors have been considered in the development of current and future rates. The water related utilities (Drinking, Sewer, and Storm) continue to allocate resources from current operations to capital projects.

### Financial Analysis of Governmental Funds

As noted earlier, the City of Olympia uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Governmental Funds provide information on near-term inflow, outflows, and balances of spendable resources. These reports use a different "basis of accounting" than that used in government-wide statements. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. The use of fund balance reporting provides information that is useful in assessing the City's current financial condition. Categories of fund balance serve as a useful measure of available fund balance, particularly unassigned fund balance in governmental funds and unrestricted net position in business-type funds, which are resources available for discretionary use. Comparing fund statements to the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental funds statements and the government-wide financial statements are included; following the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds statements.

The City of Olympia maintains multiple individual governmental funds. The City reports six major governmental funds on the governmental fund statements mentioned above. The remaining governmental funds are combined on these statements into a single column labeled "other governmental" funds. Individual fund data for each of the other governmental funds can be found in the combining statements section of this report.

## Governmental Funds

At December 31, 2016, the City of Olympia's governmental funds reported a combined fund balance of \$44.3 million, an increase of \$5.0 million in comparison with 2015. Approximately 14.9% of this amount, \$6.6 million, is unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that the resources are 1) not in a spendable form or legally required to be maintained intact, 2) restricted by external sources for particular purposes, 3) committed for particular purposes, or 4) assigned for particular purposes. The chart below shows the allocation of fund balance for governmental funds, for the years ended December 31, 2016 and 2015. For more detailed information about fund balance, see the Fund Balance Details section of Note 1.E.

Statement of Governmental Fund Balance (in million \$)			
	2016	2015*	Difference
<b>General Fund</b>			
Nonspendable	\$0.2	\$0.1	\$0.1
Restricted	0.3	0.3	-
Committed	7.9	7.0	0.9
Assigned	4.2	3.8	0.4
Unassigned	6.6	7.9	(1.3)
Total General Fund	\$19.2	\$19.1	\$0.1
<b>All Other Governmental Funds</b>			
Restricted	\$20.5	\$15.8	\$4.7
Committed	0.2	0.3	(0.1)
Assigned	4.4	4.1	0.3
Total All Other Governmental Funds	\$25.1	\$20.2	\$4.9
Total Governmental Fund Balance	\$44.3	\$39.3	\$5.0

\* 2015 General Fund was restated due to the reclassification of the OPEB Trust Fund from a Fiduciary Trust Fund into the General Fund, see note 19 for further information.

The recession had an impact on the City; however the City took various actions to mitigate negative effects on fund balances. These actions included a reduction of staff, delaying certain special funding, building maintenance, overall expense reductions, increasing various rates and fees to support their programs, and looking to the future to try and control the increasing costs of health care and pension benefits. The City implemented new budget procedures in 2013 to reform our way of doing business in an effort to maintain services for the future. The City is committed to not adding programs and services without sustainable resources. These efforts have resulted in a steady increase of fund balance each year, and in 2016 an increase of \$0.1 million for the General Fund.

The General Fund is the main operating fund of the City of Olympia. The General Fund holds 100 percent of the unassigned fund balance. As a measure of the General Fund, it is useful to compare the unassigned fund balance and total fund balance to General Fund expenditures. In 2016, General Fund expenditures were \$76.2 million. Unassigned fund balance represents 8.7 percent of General Fund expenditures, while total General Fund balance represents approximately 25.2 percent of that same amount.

General Fund revenues increased by \$4.7 million in 2016, \$1.7 million were due to the growth in property tax and sales tax revenues, as discussed earlier. Revenues related to Charges for Service increased \$1.1 million from 2015 from an overall increase in use and rate increases. General Fund expenditures increased by \$6.6 million, representing increased expense related to employee benefits and growth in programs and services.

All other governmental funds include special revenue funds, debt service funds, and capital project funds. Their combined fund balance increased in 2016 by \$5 million. The majority of this increase can be found in restricted fund balance, a result of collections of restricted impact fee revenue. Impact fees are collected for parks and transportation impacts and spent after the use of the funds are approved. 2016 impact fee collections exceeded spending by \$1.3 million. The remaining major governmental funds, the HUD Fund, Lodging Tax Fund, and Capital Improvement Fund did not experience significant changes in fund balance from 2015 to 2016.

## Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail by disclosing information related to the individual utilities. Information regarding the individual internal service funds can be found in the combining statements section of this report. The following chart shows the allocation of net position for the proprietary funds, for the years ended December 31, 2016 and 2015.

Statement of Proprietary Fund Net Position (in million \$)								
	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds	
	Drinking Water / Wastewater Utility		Waste Resources Utility		Storm and Surface Water Utility		2016	2015
	2016	2015	2016	2015	2016	2015		
<b>NET POSITION</b>								
Net Investment In Capital Assets	\$69.0	\$70.3	\$0.3	\$0.1	\$22.3	\$22.9	\$5.6	\$5.9
Restricted For:								
Bond Reserve Fund	1.3	1.3	-	-	-	-	-	-
Workers Comp Reserve	-	-	-	-	-	-	2.5	1.8
Unrestricted (Deficit)	18.9	13.4	1.0	0.8	3.4	3.6	5.0	4.0
Total Net Position	\$89.2	\$85.0	\$1.3	\$0.9	\$25.7	\$26.5	\$13.1	\$11.7

The 2016 total net position of the business type activities (the utility funds) increased by \$3.8 million from the prior year. The utilities continue their efforts to implement their capital plan, which is focused on water storage and planning for future system capacity.

## Capital Assets and Debt Administration

The City of Olympia is committed to investing in the existing infrastructure and capital assets of both the governmental and proprietary funds. As of December 31, 2016, the City's investment in capital assets, including work in progress, for its governmental and business type activities amounts to \$370.7 million (net of accumulated depreciations).

Capital Assets at Year End, Net of Depreciation (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	53.4	47.4	4.5	4.5	57.9	51.9
Building	75.6	78.3	0.6	0.7	76.2	79.0
Improvements other than buildings	24.6	24.7	109.6	113.4	134.2	138.1
Equipment	8.9	8.5	1.3	1.1	10.2	9.6
Infrastructure	82.2	87.5	-	-	82.2	87.5
Intangible Assets	-	-	3.0	3.0	3.0	3.0
Work in Process	4.0	2.3	3.0	2.0	7.0	4.3
Total	\$248.7	\$248.7	\$122.0	\$124.7	\$370.7	\$373.4

Major capital events during the current fiscal year included the following:

- Completion and placement into service of a new Fire truck \$0.7 million.
- Completion of various parks and pathway improvements \$0.4 million.
- Acquisition of the following parks lands: LBA Woods \$5.0 million, Kaiser Heights \$0.7 million, Dawley Property option \$1.0 million, and various additional parcels \$0.1 million.
- The City added to work in process parks projects \$0.4 million and various roadway and sidewalk projects \$1.6 million.
- The City added work in process of the following Water Utility Projects: Wellfield Corrosion Control \$0.2 million, the New Reservoir \$0.5 million, and the Fones Road Booster Pump Station \$0.4 million.

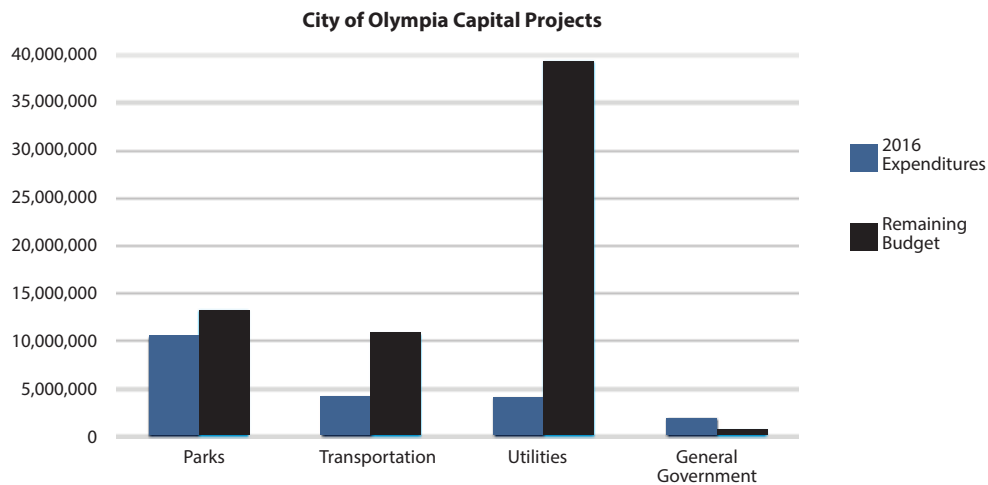
Capital Assets are affected by various additions and deletions, and by depreciation. Additions are from the purchase and/or construction of capital assets, current year work in process expenses, or from donations to the City. Deletions are from the sale or loss (accident or damage) of a capital asset. The following schedule shows a summary of the City's additions and deletions of capital assets, net of work in process capital assets put into service:

Summary of Capital Asset Additions and Deletions (in million \$)			
	Governmental Activities	Business-Type Activities	Total Primary Government
Beginning Balance (Net)	\$248.7	\$124.7	\$373.4
Additions	10.9	1.9	12.8
Deletions	(1.1)	0.0	(1.1)
Depreciation (Net)	(9.8)	(4.6)	(14.4)
Ending Balance (Net)	<u>\$248.7</u>	<u>\$122.0</u>	<u>\$370.7</u>

### Capital Asset Activities

The City continues to place major emphasis on preserving and maintaining the existing buildings, parks, streets, and utility infrastructure. During 2016, the City expended approximately \$20 million from its capital project related funds, and at the end of 2016 had approximately \$63.7 million in approved projects in progress.

The following graph shows the allocation of capital expenditures and the remaining approved budgets.



The utilities remaining budget represents the City's response to the need for increased storage capacity for the Drinking Water utility, transmission and collection work for the Waste Water utility, and flood mitigation and storm water collections work for the Storm and Surface Water utility.

Please refer to Note 6 in the Notes to the Financial Statements for more information regarding the capital assets of the City.

### Long-Term Debt

The City had \$99.7 million of long-term debt outstanding at December 31, 2016, a \$2.4 million increase in Governmental Activities and a \$1.2 million decrease in Business Type Activities when compared to the outstanding amounts at December 31, 2015.

City of Olympia Outstanding Debt (in million \$)					
	Governmental Activities		Business-Type Activities		Total Primary Government
	2016	2015	2016	2015	
General Obligation Bonds	\$59.8	\$63.0			\$59.8 \$63.0
Enterprise Revenue Bonds	-	-	16.5	17.9	16.5 17.9
WA State Trust Fund Loans	2.3	2.8	1.1	1.2	3.4 4.0
Other Loans	6.8	0.7	13.2	12.9	20.0 13.6
Total Long-Term Debt	<u>\$68.9</u>	<u>\$66.5</u>	<u>\$30.8</u>	<u>\$32.0</u>	<u>\$99.7</u> <u>\$98.5</u>

The City's Governmental Activities issued new long term debt in 2016 in the form of a Bond Anticipation Note (BAN). The 2016 BAN draws amounted to \$6.1 million and funded the purchase of Parks land. In addition to the BAN, the City drew funds from the Federal Housing and Urban Development Section 108 loan in the amount of \$0.3 million to fund sidewalk safety and alleyway lighting improvements. Business-Type Activities issued new long term debt in 2016, in the form of draws on the Drinking Water State Revolving Fund Loan (DWSRF) for the Fones Road Booster Pump Stations, McAllister Wellfield Corrosion Control Facility, and SW Olympia Reservoir projects, and a loan from the Washington State Department of Ecology (DOE) for the State Avenue Stormwater Retrofit project. Draws in 2016 amounted to \$0.9 million. The authorized \$1.9 million Fones Road Booster Pump Stations DWSRF loan is a low interest loan and at December 31, 2016, total draws amounted to \$0.4 million. The authorized \$4.1 million McAllister Wellfield Corrosion Control Facility DWSRF loan is a low interest loan and at December 31, 2016, total draws amounted to \$0.1 million. The authorized \$12.0 million Reservoir DWSRF loan is a low interest loan and at December 31, 2016, total draws amounted to \$0.4 million. The authorized \$0.6 million DOE loan is a low interest loan and at December 31, 2016, total draws amounted to \$6,600 and fully drew down the loan. The overall increase in long-term debt is a net result of the total \$7.3 million issuance and \$5.9 million debt principal payments made in 2016.

The latest bond rating for City of Olympia general obligation bonds was Aa2 from Moody's and AA from Standard & Poor's. The City of Olympia insured bond issues prior to 2009 and therefore those issues have the credit rating of the underlying insurance company.

The chart below shows the credit ratings of both our bond insured issues and ratings for the uninsured bonds issued after 2009.

Bond	Insured By	Moody's Rating	S&P Rating
2006 Parks	XL Capital Assurance	Caa2	BBB+
2007 Water/Sewer	FSA	A1	AAA
2009 City Hall LTGO*	N/A	Aa2	AA
2009 City Hall BABS*	N/A	Aa2	AA
2009 Fire Station LTGO	N/A	Aa3	AA
2010 Streets Projects LTGO*	N/A	Aa2	AA
2010B HOCM LTGO*	N/A	Aa2	AA
2013 WA Center, LED, and Parks LTGO*	N/A	Aa2	AA
2013 Water/Sewer	N/A	Aa3	AA

\* On February 15, 2016 the City of Olympia received upgraded ratings on 5 bond issues from Moody's Investors Service, these bonds were upgraded from Aa3 to Aa2.

Please refer to Note 9 in the Notes to the Financial Statements for more information regarding the City's long term debt and leases.

#### General Fund Original Budget Compared to Final Budget

During the year the General Fund budget increased by \$14.6 million, including transfers out. Major increases were:

Continuing Appropriations from 2015.....	\$ 6,600,000
Operation increases related to business needs, and personnel costs.....	\$ 3,300,000
Allocated to facilities major repair and maintenance, software, parks, building, police, fire, and grant projects.....	\$ 3,500,000
Allocation of OPEB budget, reclassification of OPEB Fund From Fiduciary to General Fund .....	\$ 1,200,000

#### General Fund Final Budget Compared to Actual Results

The General Fund budget, excluding transfer in and transfer out budgets, varied from actuals as follows: revenue actuals were \$2.9 million less than the revenue budget of \$79.1 million and expenditure actuals were \$13.1 less than the expenditure budget of \$89.2 million. Significant budgetary variances between the final amended budget and actual results were:

Transfer Revenue under Budget.....	\$ 2,700,000
Expenditure Budget Continued into 2017.....	\$ 9,300,000

General Fund remaining budget that is not continued into the next year lapses at year end. Therefore the remaining expenditure budget of approximately \$3.8 million lapsed at December 31, 2016.

### **Look Forward to 2017 and Beyond**

The 2017 General Fund regular operations budget of \$72.1 million is comprised of the basic municipal services and had a growth of 7 percent from the original 2016 budget. The City was able to balance the General Fund budget with an estimated growth in general sales tax of 5 percent, including the loss of the Toyota auto dealership, which the City assumes they will leave the first quarter of 2017. In addition to the growth in sales tax, the City reflected an 8.8 percent growth in Business and Occupation taxes, and a 4.4 percent municipal utility tax growth. The budget reflects the improving local economy with an 8.5 percent increase related to residential and commercial activity.

The final revenue factor to the balanced budget is the reflection of the voter approved Metropolitan Parks District (MPD). The MPD will provide approximately \$3-3.5 million per year for parks purposes only. In 2017 the General Fund will receive \$1.6 million of the MPD funding for parks operations, the remaining MPD funding will be for capital and parks related debt purposes. In early 2017 the City completed the purchase of the LBA Woods property acquisition for park purposes. The purchase included the use of an additional \$2.5 million of draw on the 2016 PARKS BAN. The purchase included BAN proceeds, transportation impact fees, general revenues and a \$2.2 million promissory note.

The City resists the temptation to restore services and improve programs without a sustainable revenue source. In 2016 the Olympia Transportation Benefit District (TBD) Board approved the first fee increase since the TBD was established in 2009. The fee increased from \$20 to \$40 and becomes effective with vehicle registration renewals as of January 1, 2017. The increase in revenue related to the TBD will result in an increase of funding for preservation and expansion of the City's transportation infrastructure.

The City continues to present a budget that is practical, responsible, and strategic in its efforts to maintain core services, address infrastructure replacement and maintenance needs, and mitigate increases in employee and benefit costs. In 2016 as a response to the rising costs of medical premiums, the City introduced new health insurance plans to several employees. These plans came with deductibles and increased out-of-pocket co-insurance maximums at a lower premium cost to the City and assisted in minimizing the future costs of health insurance. The rising cost of the City's required pension plan contributions is a major discussion point in future budgets and planning.

The City's utilities, as required by state law, are fully funded through rates and charges for utility services. In 2017, rate increases were authorized to ensure stable revenues while maintaining existing service levels. Utility rate increases for 2017 will be as follows:

- Drinking water's overall rate increase was 6.9 percent, the individual rate increase varies by customer type and amount of water used.
- Storm and Surface water's overall rate increase was 6.3 percent, which will be applied evenly across all rate classes.
- Wastewater's rate increase was 2 percent for sewage treatment and 4 percent for wastewater and reclaimed water services.
- Waste Resources rates changed as follows: 5.5 percent increase for residential collections, 4 percent increase for commercial collections, and 7 percent increase for organics collections.

The City will continue to invest in capital improvements. The 2017 Capital Improvement Plan (CIP) includes \$5.6 million for parks projects, \$9.7 million for transportation projects, and an investment of \$1.5 million in building repairs and major maintenance. The CIP added \$10.5 million for utility related projects, some of which will be debt financed through the Drinking Water State Revolving Loan program for the water projects discussed previously.

### **Additional Information**

This report is prepared by the Fiscal Services Division of the Administrative Services Department. It is intended to provide a general overview of the finances of the City. The Fiscal Services Division can be contacted in writing to: City of Olympia, PO Box 1967, Olympia, WA 98507 or by email to: [adminservices@ci.olympia.wa.us](mailto:adminservices@ci.olympia.wa.us).

**Statement of Net Position  
December 31, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash And Cash Equivalents	\$17,898,877	\$8,677,380	\$26,576,257
Investments	35,269,440	16,367,485	51,636,925
Receivables			
Taxes	9,123,787	-	9,123,787
Customer Accounts	1,800,290	5,454,419	7,254,709
Accrued Interest and Penalty	56,929	28,904	85,833
Special Assessments	8,263	-	8,263
Notes/Contract/Loans Receivable	208,513	-	208,513
Other Receivables	1,140,196	230,769	1,370,965
Other Governmental Units	1,279,500	406,064	1,685,564
Inventories	356,334	182,348	538,682
Other Current Assets	145,909	1,650	147,559
Total Current Assets	67,288,038	31,349,019	98,637,057
Non-Current Assets:			
Restricted Cash And Cash Equivalents	97,123	1,260,900	1,358,023
Special Assessments	809	-	809
Notes/Contract/Loans Receivable	7,055,654	-	7,055,654
Investment In Joint Venture	806,245	-	806,245
Net Pension Asset	4,793,051	-	4,793,051
Capital Assets			
Capital Assets Not Being Depreciated	57,391,819	7,552,386	64,944,205
Depreciable Assets, Net	191,258,666	114,421,007	305,679,673
Total Non-Current Assets	261,403,367	123,234,293	384,637,660
Total Assets	328,691,405	154,583,312	483,274,717
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow - Related to Pensions	6,490,407	1,293,664	7,784,071
Total Deferred Outflows Of Resources	6,490,407	1,293,664	7,784,071
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	423,302	86,778	510,080
Contracts Retainage Payable	432,056	21,615	453,671
Interest Payable	178,221	189,885	368,106
Due To Other Governmental Units	73,843	25,048	98,891
Custodial Accounts	192,926	878	193,804
Wages Payable	2,265,474	391,135	2,656,609
Other Current Liabilities	634,806	202,924	837,730
Unearned Revenue	7,440,569	-	7,440,569
Compensated Absences (Current Portion)	3,409,849	859,331	4,269,180
Notes And Bonds Due Within One Year	2,710,101	2,233,123	4,943,224
Total Current Liabilities	17,761,147	4,010,717	21,771,864
Non-Current Liabilities			
Net Pension Liability	21,801,645	6,968,808	28,770,453
Net OPEB Obligation	10,337,874	-	10,337,874
Compensated Absences	1,664,018	11,188	1,675,206
Notes And Bonds Due In More Than One Year	66,195,597	28,588,996	94,784,593
Total Non-Current Liabilities	99,999,134	35,568,992	135,568,126
Total Liabilities	117,760,281	39,579,709	157,339,990
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow - Grant Revenue	17,000	-	17,000
Deferred Inflow - Related to Pensions	532,172	121,027	653,199
Total Deferred Inflows Of Resources	549,172	121,027	670,199
<b>NET POSITION</b>			
Net Investment in Capital Assets	180,374,377	91,615,999	271,990,376
Restricted For:			
Bond Reserve Fund	-	1,260,900	1,260,900
Debt Services	58,214	-	58,214
Hands On Children's Museum	347,780	-	347,780
HUD Programs	43,042	-	43,042
Impact Fees	10,344,161	-	10,344,161
LID Reserve Fund	78,476	-	78,476
Lodging Tax	592,665	-	592,665
Other Post Employment Benefits	1,988,290	-	1,988,290
Net Pension Asset	4,793,051	-	4,793,051
Transportation, Parking, And Parks	7,435,055	-	7,435,055
Washington Center	73,610	-	73,610
Workers Comp Reserve	2,543,219	-	2,543,219
Other Purposes	1,959,851	-	1,959,851
Unrestricted	6,240,568	23,299,341	29,539,909
Total Net Position	\$216,872,359	\$116,176,240	\$333,048,599

The accompanying notes are an integral part of this statement

**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2016**

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$26,506,321	\$16,726,092	\$2,932,591	\$-	\$(6,847,638)	\$-	\$(6,847,638)
Public Safety	34,015,639	5,155,069	55,966	-	(28,804,604)	-	(28,804,604)
Transportation	14,706,532	430,816	1,684,418	397,671	(12,193,627)	-	(12,193,627)
Economic Environment	6,144,538	148,534	358,274	-	(5,637,730)	-	(5,637,730)
Mental And Physical Health	111,686	-	-	-	(111,686)	-	(111,686)
Culture And Recreation	5,992,961	1,152,474	411,608	-	(4,428,879)	-	(4,428,879)
Interest On Long Term Debt	3,332,015	-	-	-	(3,332,015)	-	(3,332,015)
Total Governmental Activities	90,809,692	23,612,985	5,442,857	397,671	(61,356,179)	-	(61,356,179)
BUSINESS-TYPE ACTIVITIES							
Water/Sewer	30,521,606	33,975,843	-	484,356	-	3,938,593	3,938,593
Solid Waste	10,236,494	10,513,187	-	-	-	276,693	276,693
Storm And Surface Water	6,676,731	5,154,386	738,479	15,000	-	(768,866)	(768,866)
Total Business-Type Activities	47,434,831	49,643,416	738,479	499,356	-	3,446,420	3,446,420
Total Government	\$138,244,523	\$73,256,401	\$6,181,336	\$897,027	\$(61,356,179)	\$3,446,420	\$(57,909,759)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes			
Property Taxes, Levied For General Purposes	\$11,452,863	\$-	\$11,452,863
Property Taxes, Levied For Debt Service	3,476,111	-	3,476,111
Utility, Business and Occupation Taxes	21,252,737	-	21,252,737
Sales, Excise and Other Taxes	25,291,820	-	25,291,820
Investment Earnings	328,228	129,173	457,401
Other	1,739,005	389,264	2,128,269
Transfers	94,674	(94,674)	-
Total General Revenues and Transfers	63,635,438	423,763	64,059,201
Change In Net Position	2,279,259	3,870,183	6,149,442
Net Position – Beginning (Restated)	214,593,100	112,306,057	326,899,157
Net Position – Ending	\$216,872,359	\$116,176,240	\$333,048,599

The accompanying notes are an integral part of this statement



**Balance Sheet - Governmental Funds**  
**December 31, 2016**

	General	H.U.D	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
<b>ASSETS</b>								
Cash And Cash Equivalents	\$6,382,462	\$48,547	\$3,585,360	\$205,257	\$699,188	\$1,429,030	\$2,831,485	\$15,181,329
Investments	13,808,312	0	6,746,221	386,919	1,316,620	2,749,616	5,063,467	30,071,155
Receivables								
Taxes	178,681	-	-	-	-	-	-	178,681
Customer Accounts	1,800,290	-	-	-	-	-	-	1,800,290
Accrued Interest & Penalty	20,966	394	10,248	490	2,448	3,636	11,761	49,943
Special Assessments	-	-	-	-	-	-	8,263	8,263
Notes/Contract/Loans Receivable	83,852	124,661	-	-	-	-	-	208,513
Other Receivables	897,866	-	8,080	-	-	-	231,582	1,137,528
Other Governmental Units	842,374	4,854	-	-	-	428,193	-	1,275,421
Inventory	63,998	-	-	-	-	-	-	63,998
Prepayments	126,895	-	-	-	-	-	-	126,895
Notes/Contract/Loans Receivable	2,308,832	4,746,822	-	-	-	-	809	7,056,463
<b>Total Assets</b>	<b>26,514,528</b>	<b>4,925,278</b>	<b>10,349,909</b>	<b>592,666</b>	<b>2,018,256</b>	<b>4,610,475</b>	<b>8,147,367</b>	<b>57,158,479</b>
<b>LIABILITIES</b>								
Accounts Payable	302,944	5,583	-	-	-	86,303	12,899	407,729
Wages Payable	2,192,488	3,085	-	-	17,123	23,871	-	2,236,567
Contracts Retainage Payable	25,840	2,085	-	-	-	52,567	351,564	432,056
Custodial Accounts	192,926	-	-	-	-	-	-	192,926
Other Current Liabilities	377,658	-	5,748	-	-	-	-	383,406
Unearned Revenue	2,442,631	4,871,483	-	-	-	-	126,455	7,440,569
<b>Total Liabilities</b>	<b>5,534,487</b>	<b>4,882,236</b>	<b>5,748</b>	<b>-</b>	<b>17,123</b>	<b>162,741</b>	<b>490,918</b>	<b>11,093,253</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue - Court Receivables	1,604,072	-	-	-	-	-	-	1,604,072
Unavailable Revenue - Property Taxes	155,591	-	-	-	-	-	-	155,591
Unavailable Revenue - Grant Revenue	17,000	-	-	-	-	-	-	17,000
<b>Total Deferred Inflows Of Resources</b>	<b>1,776,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,776,663</b>
<b>FUND BALANCE</b>								
Nonspendable	190,893	-	-	-	-	-	-	190,893
Restricted	283,536	43,042	10,344,161	592,666	2,001,133	-	7,477,425	20,741,963
Committed	7,849,057	-	-	-	-	-	179,024	8,028,081
Assigned	4,239,357	-	-	-	-	4,447,734	-	8,687,091
Unassigned	6,640,535	-	-	-	-	-	-	6,640,535
<b>Total Fund Balance</b>	<b>19,203,378</b>	<b>43,042</b>	<b>10,344,161</b>	<b>592,666</b>	<b>2,001,133</b>	<b>4,447,734</b>	<b>7,656,449</b>	<b>44,288,563</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$26,514,528</b>	<b>\$4,925,278</b>	<b>\$10,349,909</b>	<b>\$592,666</b>	<b>\$2,018,256</b>	<b>\$4,610,475</b>	<b>\$8,147,367</b>	<b>\$57,158,479</b>

*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, 2016**

Fund Balances - Total Governmental Funds	\$44,288,563
Capital assets not reported in the governmental funds	243,062,427
Investment in Joint Venture not reported in the governmental funds	806,245
Assets and liabilities of Internal Service funds not reported in governmental funds	13,149,688
Accrued Interest on GO Debt not reported in governmental funds	(178,221)
Fair Value Adjustment not reported in the governmental funds	(92,339)
Long term assets not available to pay current period expenditures and therefore are deferred in the governmental funds.	
Non-Exchange transactions not reported in the governmental funds	8,945,106
Deferred Inflows of Resources:	
Local court revenue receivable	1,604,072
Property tax receivable	155,591
Long term debt not reported in governmental funds	
Bonds and Notes	(59,846,892)
Loans and BANS	(6,750,385)
Public Works Trust Fund Loans	(2,308,421)
Compensated Absences	(5,042,679)
Net Pension Liability and Asset, including deferred items	(10,582,522)
Net OPEB Liability	(10,337,874)
Net Position of Governmental Activities	\$216,872,359

*The accompanying notes are an integral part of this statement*

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended December 31, 2016**

	General	H.U.D	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
<b>REVENUES</b>								
Taxes	\$47,856,030	\$-	\$-	\$720,182	\$2,933,749	\$2,022,350	\$6,734,158	\$60,266,469
Licenses and Permits	4,309,935	-	-	-	-	-	-	4,309,935
Intergovernmental Revenues	2,780,391	358,274	-	-	-	1,329,721	1,135,632	5,604,018
Charges for Services	14,889,227	-	3,594,132	-	-	-	-	18,483,359
Fines and Forfeits	970,529	-	-	-	-	-	-	970,529
Miscellaneous Revenues	3,413,797	77,378	54,315	2,682	33,637	23,037	261,581	3,866,427
<b>Total Revenues</b>	<b>74,219,909</b>	<b>435,652</b>	<b>3,648,447</b>	<b>722,864</b>	<b>2,967,386</b>	<b>3,375,108</b>	<b>8,131,371</b>	<b>93,500,737</b>
<b>EXPENDITURES</b>								
Current:								
General Government Services	24,198,017	-	-	-	-	1,580,883	79,976	25,858,876
Security of Persons & Property	34,789,193	-	-	-	-	-	-	34,789,193
Transportation	3,978,424	95,775	-	-	-	(1,262)	-	4,072,937
Economic Environment	5,196,983	202,527	-	237,437	-	79,983	-	5,716,930
Mental and Physical Health	111,686	-	-	-	-	-	-	111,686
Culture and Recreation	5,559,040	-	-	-	560,945	410,290	-	6,530,275
Debt Service:								
Principal Retirement	-	194,000	-	-	-	-	3,726,525	3,920,525
Interest	25	384	-	-	-	-	3,383,387	3,383,796
Capital Outlays	412,724	159,422	-	-	-	9,946,850	162,502	10,681,498
<b>Total Expenditures</b>	<b>74,246,092</b>	<b>652,108</b>	<b>-</b>	<b>237,437</b>	<b>560,945</b>	<b>12,016,744</b>	<b>7,352,390</b>	<b>95,065,716</b>
Excess (Deficiency) of Revenues Over Expenditures	(26,183)	(216,456)	3,648,447	485,427	2,406,441	(8,641,636)	778,981	(1,564,979)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers - In	1,953,960	-	-	-	-	4,221,778	2,966,631	9,142,369
Transfers - Out	(1,915,603)	(66,000)	(1,799,525)	(316,163)	(2,144,855)	(1,330,000)	(1,470,839)	(9,042,985)
Issuance of Debt	-	259,000	-	-	-	6,096,882	-	6,355,882
Sale of Capital Assets	70,226	-	-	-	-	-	6,290	76,516
<b>Total Other Financing Sources (Uses)</b>	<b>108,583</b>	<b>193,000</b>	<b>(1,799,525)</b>	<b>(316,163)</b>	<b>(2,144,855)</b>	<b>8,988,660</b>	<b>1,502,082</b>	<b>6,531,782</b>
<b>Net Change in Fund Balances</b>	<b>82,400</b>	<b>(23,456)</b>	<b>1,848,922</b>	<b>169,264</b>	<b>261,586</b>	<b>347,024</b>	<b>2,281,063</b>	<b>4,966,803</b>
FUND BALANCE JANUARY 1	19,120,978	66,498	8,495,239	423,402	1,739,547	4,100,711	5,375,385	39,321,760
FUND BALANCE DECEMBER 31	\$19,203,378	\$43,042	\$10,344,161	\$592,666	\$2,001,133	\$4,447,735	\$7,656,448	\$44,288,563

*The accompanying notes are an integral part of this statement*

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the year ended December 31, 2016**

Net Changes in Fund Balances - Total Governmental Funds	\$4,966,803
Repayment of bond principal is reported as an expenditure in governmental funds and as a reduction of debt in the statement of net assets	3,920,525
Gain / (Loss) on Assets formerly not listed in Governmental Funds	(30,100)
(Increase) / Decrease in Compensated Absences not listed in Governmental Funds	(331,618)
Purchase of Capital Assets are treated as an expenditure in Governmental Funds	9,800,439
Equity Adjustment for Investment in Joint Ventures	(532)
Donated Capital Assets not included in Fund Statements	129,495
Revenues not reported in Governmental Funds:	
Non-Exchange transactions not reported in the governmental funds	1,265,034
Deferred Revenue - court receivables	(1,918,346)
Deferred Revenue - property and other taxes	(57,974)
Internal service funds net income is not reported in governmental funds	1,454,737
Depreciation of capital assets not reported in governmental funds	(9,658,343)
Fair Value Adjustment not reported in the governmental funds	(1,185)
Long Term Debt Proceeds treated as revenue in Governmental Funds	(6,355,882)
Interest accrued on Governmental LT Debt not accrued on Governmental Statements	51,781
Change in Net Pension Liability, Deferred Inflows, Deferred Outflows, and Net Pension Assets not treated as an expenditure in Governmental Funds	418,829
Change in Net OPEB Liability not treated as an expenditure in Governmental Funds	(1,374,404)
Change in Net Position of Governmental Activities	\$2,279,259

*The accompanying notes are an integral part of this statement*

**Statement of Net Position - Proprietary Funds**  
**December 31, 2016**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Drinking Water Wastewater Utility	Waste Resources Utility	Storm and Surface Water Utility		
ASSETS					
Current Assets					
Cash And Cash Equivalents	\$6,734,873	\$596,234	\$1,346,273	\$8,677,380	\$2,717,548
Investments	12,707,538	1,120,160	2,539,787	16,367,485	5,290,624
Receivables					
Customer Accounts	3,544,909	1,310,446	599,064	5,454,419	
Accrued Interest & Penalty	23,025	1,796	4,083	28,904	6,986
Other Receivables	124,807	105,962	-	230,769	2,668
Other Governmental Units	-	-	406,064	406,064	4,079
Inventories	182,348	-	-	182,348	229,439
Other Current Assets	1,650	-	-	1,650	81,911
Total Current Assets	23,319,150	3,134,598	4,895,271	31,349,019	8,333,255
Noncurrent Assets					
Capital Assets, Net	97,857,582	315,049	23,800,762	121,973,393	5,588,058
Restricted Cash	1,260,900	-	-	1,260,900	97,123
Total Noncurrent Assets	99,118,482	315,049	23,800,762	123,234,293	5,685,181
Total Assets	122,437,632	3,449,647	28,696,033	154,583,312	14,018,436
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows related to pensions	659,385	357,150	277,129	1,293,664	106,040
Total Deferred Outflows of Resources	659,385	357,150	277,129	1,293,664	106,040
LIABILITIES					
Current Liabilities					
Accounts Payable	86,508	64	206	86,778	15,573
Contracts Retainage Payable	17,229	4,386	-	21,615	-
Matured Interest Payable	189,885	-	-	189,885	-
Due To Other Governmental Units	-	25,048	-	25,048	73,843
Custodial Accounts	878	-	-	878	-
Wages Payable	194,485	116,611	80,039	391,135	28,907
Other Current Liabilities	160,783	-	42,141	202,924	251,400
Compensated Absences (Current Portion)	356,061	369,922	133,348	859,331	31,188
Bonds, Notes And Loans Payable	2,150,248	-	82,875	2,233,123	-
Total Current Liabilities	3,156,077	516,031	338,609	4,010,717	400,911
Noncurrent Liabilities					
Compensated Absences	-	-	11,188	11,188	-
Net Pension Liability	3,547,531	1,898,811	1,522,466	6,968,808	563,878
Bonds, Notes And Loans Payable	27,126,633	-	1,462,363	28,588,996	-
Total Noncurrent Liabilities	30,674,164	1,898,811	2,996,017	35,568,992	563,878
Total Liabilities	33,830,241	2,414,842	3,334,626	39,579,709	964,789
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows related to pensions	61,773	33,671	25,583	121,027	9,999
Total Deferred Inflows of Resources	61,773	33,671	25,583	121,027	9,999
NET POSITION					
Net Investment in Capital Assets	69,045,427	315,049	22,255,523	91,615,999	5,588,058
Restricted For:					
Bond Reserve Fund	1,260,900	-	-	1,260,900	-
Workers Comp Reserve	-	-	-	-	2,543,219
Unrestricted (Deficit)	18,898,676	1,043,235	3,357,430	23,299,341	5,018,411
Total Net Position	\$89,205,003	\$1,358,284	\$25,612,953	\$116,176,240	\$13,149,688

*The accompanying notes are an integral part of this statement*

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**  
**For Year Ended December 31, 2016**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility	Totals	
OPERATING REVENUES:					
Charges for Service	\$33,975,843	\$10,513,187	\$5,154,386	\$49,643,416	\$6,601,225
Miscellaneous Revenue	225,946	163,318	-	389,264	87,673
Total Operating Revenues	34,201,789	10,676,505	5,154,386	50,032,680	6,688,898
OPERATING EXPENSES:					
Operation and Maintenance	16,903,883	7,030,496	2,683,079	26,617,458	1,191,250
Administration and Overhead	5,550,104	1,968,965	2,623,639	10,142,708	3,089,936
Taxes	3,440,455	1,221,801	562,552	5,224,808	-
Depreciation and Amortization	3,809,943	15,232	770,242	4,595,417	1,026,628
Total Operating Expenses	29,704,385	10,236,494	6,639,512	46,580,391	5,307,814
Operating Income (Loss)	4,497,404	440,011	(1,485,126)	3,452,289	1,381,084
Non-Operating Revenues (Expenses):					
Investment Earnings	94,853	10,291	24,029	129,173	36,108
Intergovernmental Revenue	-	-	738,479	738,479	-
Gain/ (loss) on Disposal of Capital Assets	(2,132)	-	-	(2,132)	37,545
Interest Expense and Fiscal Charges	(815,089)	-	(37,219)	(852,308)	-
Total Non-Operating Revenues (Expenses)	(722,368)	10,291	725,289	13,212	73,653
Net Income (Loss) Before Contributions and Operating Transfers	3,775,036	450,302	(759,837)	3,465,501	1,454,737
Capital Contributions	484,356	-	15,000	499,356	-
Transfers - In	-	66,000	-	66,000	-
Transfers - Out	(26,544)	(12,500)	(121,630)	(160,674)	-
Changes in Net Position	4,232,848	503,802	(866,467)	3,870,183	1,454,737
Net Position - Beginning	84,972,155	854,482	26,479,420	112,306,057	11,694,951
Net Position - Ending	\$89,205,003	\$1,358,284	\$25,612,953	\$116,176,240	\$13,149,688

The accompanying notes are an integral part of this statement

**Statement of Cash Flows - Proprietary Funds  
For Year Ended December 31, 2016**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers and Users	\$34,674,404	\$10,828,155	\$5,313,488	\$50,816,047	\$75,697
Cash Received from Interfund Activity	533	-	351	884	6,524,402
Cash Paid to Suppliers	(17,162,944)	(5,648,408)	(2,537,611)	(25,348,963)	(3,323,548)
Cash Paid to Other Funds - Internal Activity	(3,543,155)	(1,850,750)	(1,383,348)	(6,777,253)	(578,012)
Cash Paid to Employees	(3,177,879)	(1,860,988)	(1,453,693)	(6,492,560)	(565,176)
Cash Paid for Taxes	(3,440,594)	(1,221,801)	(562,552)	(5,224,947)	-
Non-Insurance Loss Recovery	-	-	-	-	87,673
Net Cash Provided (Used by Operating Activities)	7,350,365	246,208	(623,365)	6,973,208	2,221,036
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating Grants	-	-	738,479	738,479	-
Transfers - In	-	66,000	-	66,000	-
Transfers - Out	(26,544)	(12,500)	(121,630)	(160,674)	-
Net Cash Provided from Non-Capital Activities	(26,544)	53,500	616,849	643,805	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from Sale of Capital Assets	-	-	-	-	177,913
Purchase of Capital Assets	-	-	-	-	(845,333)
Loan Proceeds	916,658	-	-	916,658	-
Acquisition and Construction of Capital Assets	(1,040,199)	(249,253)	(32,644)	(1,322,096)	-
Payment of Bond Principal	(1,330,001)	-	-	(1,330,001)	-
Payment of Bond Interest	(710,531)	-	-	(710,531)	-
Payment of Other Debt Principal	(621,243)	-	(56,288)	(677,531)	-
Payment of Other Interest	(158,641)	-	(47,167)	(205,808)	-
Net Cash Provided by Capital and Related Financing Activities	(2,943,957)	(249,253)	(136,099)	(3,329,309)	(667,420)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Changes in Internal Investment Pool	(2,770,448)	(22,074)	119,926	(2,672,596)	(966,487)
Interest on Investments	91,990	9,778	22,490	124,258	31,684
Net Cash Provided (Used) by Investing Activities	(2,678,458)	(12,296)	142,416	(2,548,338)	(934,803)
Net Increase in Cash and Cash Equivalents	1,701,406	38,159	(199)	1,739,366	618,813
Cash and Cash Equivalents, January 1	6,294,367	558,075	1,346,472	8,198,914	2,195,858
Cash and Cash Equivalents, December 31	\$7,995,773	\$596,234	\$1,346,273	\$9,938,280	\$2,814,671

*The accompanying notes are an integral part of this statement*

**Statement of Cash Flows - Proprietary Funds (continued)**  
**For Year Ended December 31, 2016**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility	Totals	
CASH PROVIDED BY OPERATING ACTIVITIES:					
Net Operating Income (Loss)	\$4,497,404	\$440,011	\$(1,485,126)	\$3,452,289	\$1,381,084
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Depreciation	3,809,943	15,232	770,242	4,595,417	1,026,628
(Increase) Decrease in Accounts Receivable	404,452	146,170	84,637	635,259	-
(Increase) Decrease in Other Receivables	46,996	5,480	-	52,476	(1,126)
(Increase) Decrease in Inventory	(3,002)	-	-	(3,002)	(37,580)
(Increase) Decrease in Other Current Assets	-	-	-	-	(3,055)
(Increase) Decrease in Deferred outflows - pensions	(329,402)	(211,191)	(80,393)	(620,986)	(63,522)
(Increase) Decrease in Due from Other Governments	21,700	-	74,816	96,516	-
Increase (Decrease) in Compensated Absences	2,702	9,248	13,142	25,092	4,591
Increase ( Decrease) in Net Pension Liability	828,700	392,982	332,120	1,553,802	120,660
Increase ( Decrease) in Deferred inflows - pensions	(347,098)	(195,709)	(149,272)	(692,079)	(57,551)
Increase (Decrease) in Accounts Payable	(1,502,909)	(360,765)	(232,744)	(2,096,418)	(11,002)
Increase (Decrease) in Due to Other Governments	-	(1,424)	-	(1,424)	(4,091)
Increase (Decrease) in Other Current Liabilities	(79,121)	6,174	49,213	(23,734)	(134,000)
Total Adjustments	2,852,961	(193,803)	861,761	3,520,919	839,952
Net Cash Provided by Operating Activities	\$7,350,365	\$246,208	\$(623,365)	\$6,973,208	\$2,221,036
CASH AND CASH EQUIVALENTS:					
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED AT DECEMBER 31					
Statement of Net Position:					
Cash and Residual Investments	\$6,734,873	\$596,234	\$1,346,273	\$8,677,380	\$2,717,548
Restricted Assets:					
Debt Service					
Cash and Residual Investments	1,260,900	-	-	1,260,900	-
Workers Compensation Surety					
Cash and Residual Investments	-	-	-	-	97,123
Cash and Cash Equivalents, December 31	\$7,995,773	\$596,234	\$1,346,273	\$9,938,280	\$2,814,671
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Contribution of Capital Assets	\$484,356	\$-	\$15,000	\$499,356	\$-

The accompanying notes are an integral part of this statement



**Trust and Agency Statement of Fiduciary Net Position - Fiduciary Funds**  
**December 31, 2016**

	Employee Retirement Plans	Private Purpose Trusts	Agency Funds
<b>ASSETS</b>			
Cash and Residual Investments	\$167,777	\$295,920	\$74,110
Investments	4,498,357	801,767	-
Receivables (Net of Allowances):			
Accrued Interest	14,018	1,976	480
Total Assets	4,680,152	1,099,663	74,590
<b>LIABILITIES</b>			
Other Current Liabilities	-	-	16,270
Due to Other Governments	-	-	58,320
Total Liabilities	-	-	74,590
<b>NET POSITION</b>			
Net Position Restricted for Pensions	4,680,152	-	-
Net Position Restricted for Endowment Trust	-	1,099,663	-
Held in Trust for Pension Benefits and Other Purposes	\$4,680,152	\$1,099,663	\$-

*The accompanying notes are an integral part of this statement*

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For Year Ended December 31, 2016**

	Employee Retirement Plans	Private Purpose Trusts
<b>ADDITIONS</b>		
Employer Contributions	\$100,000	\$-
State Contributions		
Fire Insurance Premium Tax	91,883	-
Total Contributions	191,883	-
Investment Earnings		
Investment Income	43,850	9,825
Net Investment Earnings	43,850	9,825
Total Additions	235,733	9,825
<b>DEDUCTIONS</b>		
Benefits	338,298	-
Administrative Expenses	-	101,448
Transfers	-	4,709
Total Deductions	338,298	106,157
<b>CHANGE IN NET POSITION</b>	(102,565)	(96,332)
Net Position - Beginning of the Year	4,782,717	1,195,995
Net Position - End of the Year	\$4,680,152	\$1,099,663

*The accompanying notes are an integral part of this statement*

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. Reporting Entity**

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

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (and its component units). All fiduciary activities are reported in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

As a general rule the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are interfund services provided and used by the government's utilities functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for these functions.

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.

The City of Olympia reports the following major governmental funds:

#### **General Fund**

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

#### **H.U.D. Fund**

U.S. Department of Housing and Urban Development authorized project money is accounted for within this fund.

#### **Impact Fees Fund**

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

#### **Lodging Tax Fund**

This fund is used to account for the local option 2% tax on lodging authorized under RCW 67.28. This RCW states that all revenues collected under this chapter be accounted for in a special revenue fund. When the use of this money is approved, funds are transferred from this fund to the appropriate account in which the activity occurs.

**Parks and Recreation Utility Tax Fund**

This fund is used to account for the imposed tax on various utility services authorized under RCW 35.21.870. This RCW states that all revenues collected under this chapter be accounted for in a special revenue fund. When the use of this money is approved, funds are transferred from this fund to the appropriate account in which the activity occurs.

**Capital Improvement Fund**

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

The City reports the following major enterprise funds:

**Drinking Water and Wastewater Fund**

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

**Waste Resources Fund**

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

**Storm and Surface Water Fund**

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

Additionally, the City reports the following fund types:

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

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

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

The agency funds account for cash and investments held by the government on behalf of other governments in an agency capacity, which include the Olympia Municipal Court Fund and the Law Enforcement Records Management System (LERMS) Fund.

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

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

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

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

Proprietary fund statements are reported using the economic resources measurements focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flow. 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 all of the City's Utilities are charges for service. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

## **D. Budgetary Information**

### Scope of Budget

The City of Olympia budgets its annually adopted governmental funds in accordance with the Revised Code of Washington (RCW), paragraph 35.33. In compliance with the code, annual appropriated budgets are adopted at the level of the fund, where expenditures may not exceed appropriations and the budgets constitute the legal authority for expenditure at that level. Unexpended annual appropriations lapse at the end of the fiscal year.

Annually adopted budgets are adopted for the following Funds:

#### General Fund

All active general obligation debt service funds:

4th/5th Ave Bridge Fund 216

LTGO Parks Bond Fund 223

UTGO Fire Bond Fund 224

City Hall Debt Fund 225

LTGO Street Bond Fund 226

Local Debt Fund 227

LTGO Hands on Children's Museum Bond Fund 228

LTGO WA Center, LED, Parks Bond Fund 229

LTGO BAN Debt Fund 230

Encumbrance accounting is employed in governmental funds during the year. Encumbrances outstanding at year end are reported as either restricted, committed or assigned fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. Encumbrances can be found in the Fund Balance Details of Note 1E listed as continuing appropriations.

### Amending the Budget

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The City Manager is authorized to transfer appropriations within a fund, however, an increase of the annual adopted budget requires Council action and is done by ordinance. Individual transfers were not material in relation to original appropriations. During the year 2016, there were several supplementary appropriations authorized by the City Council in the General Fund budget totaling \$14,634,374.

The financial statements contain the original and final budget information for the legally required budget of the General Fund, which is located in the Required Supplemental Information section. 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

### Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2016, the treasurer was holding \$27,934,280 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. For more information on the City's Cash and Cash Equivalents, see Deposits and Investments Note 4.

Investments – (See Deposits and Investments Note 4)

### Receivables

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

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2016, \$8,263 of special assessments receivable were delinquent.

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

### Inventories and Prepaids

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

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

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

### Restricted Assets and Liabilities

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

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

Cash and Investments-Bonded Debt Reserve..... \$1,260,900

#### **The restricted assets of the internal service funds are composed of the following:**

Cash and Investments - Workers' Compensation Reserve .....\$97,123

### Capital Assets – (See Note 6)

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

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

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

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

<b>Type of Asset</b>	<b>Number of Years</b>
Buildings and Structures	20-30
Other Improvements	5-40
Machinery and Equipment	5-20
Infrastructure	15-30

### Compensated Absences

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

Nonexempt employees (nonexempt to overtime pay) may accumulate up to 40 vacation days while exempt employees may accumulate up to 60 vacation days. Nonexempt employees may receive up to 80 hours of compensatory time rather than receiving overtime pay. All outstanding vacation and compensatory leave is payable upon resignation, retirement, or death. Outstanding sick leave is not payable upon resignation, retirement, or death and therefore is not accrued in the financial statements.

#### Other Compensated Benefits

The City of Olympia self-insures unemployment compensation on a reimbursable basis to the State of Washington. The City utilizes the services of Penser NorthAmerica, Inc. to manage claims of the program. As of December 31, 2016 the Unemployment Compensation Fund had a fund balance of \$487,448 which is equal to approximately 27 maximum liability claims (26 weeks at \$681 per week).

#### Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

#### Long-Term Liabilities - (See Long Term Liabilities Note 9)

#### Pensions

For purposes of measuring the net pension asset, 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.

#### Unearned Revenues

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

#### Fund Balance Classification

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

<b>Nonspendable:</b>	Unavailable fund balance due to its form and legally or contractually required to remain intact.
<b>Restricted:</b>	Fund Balance that can only be used for specific purposes as stipulated by the constitution, external resource provider, or through enabling legislation.
<b>Committed:</b>	Fund Balance that can only be used for specific purposes as determined by formal action of the City Council. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.
<b>Assigned:</b>	Fund Balance that includes resources intended to be used by the City for specific purposes, as assigned by the City's Finance Committee, an authority given to the Committee by the City Council in the Fund Balance Policy approved on December 6, 2011.
<b>Unassigned:</b>	The General Fund may report a positive fund balance if the available resources have not met the requirements of the above classifications. In other governmental funds a negative unassigned fund balance may apply if expenditures incurred for specific purposes exceed the amounts available in the above classifications.

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

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

### Fund Balance Details

Fund Balance details for the year ended December 31, 2016 are listed below.

### **FUND BALANCES: GOVERNMENTAL FUNDS DECEMBER 31, 2016**

	General	H.U.D	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
<b>Fund Balance:</b>								
Nonspendable:								
Pre-Payments and Inventory	\$190,893	\$-	\$-	\$-	\$-	\$-	\$-	\$190,893
Total Nonspendable	190,893	-	-	-	-	-	-	190,893
<b>Restricted for:</b>								
Public Defense Improvements	17,000	-	-	-	-	-	-	17,000
LID Reserve	-	-	-	-	-	-	78,476	78,476
Debt Service Reserve	-	-	-	-	-	-	58,214	58,214
HUD Programs	-	43,042	-	-	-	-	-	43,042
Lodging and Tourism Benefit	-	-	-	592,666	-	-	-	592,666
Major Repairs and Maintenance	-	-	-	-	-	-	422,620	422,620
Parking Improvement	-	-	-	-	-	-	203,434	203,434
Parks and Roads Construction	-	-	10,344,161	-	-	-	-	10,344,161
Parks and Sidewalk Construction	-	-	-	-	2,001,133	-	-	2,001,133
Transportation Projects	-	-	-	-	-	-	6,714,680	6,714,680
WA Center for Performing Arts	73,610	-	-	-	-	-	-	73,610
Other Purposes	192,926	-	-	-	-	-	-	192,926
Total Restricted	283,536	43,042	10,344,161	592,666	2,001,133	-	7,477,424	20,741,962
<b>Committed to:</b>								
Appropriated to Next Year's Budget	113,000	-	-	-	-	-	-	113,000
Community Development	1,021,540	-	-	-	-	-	-	1,021,540
Debt Service	-	-	-	-	-	-	13,551	13,551
Equipment and Facilities Reserve	3,283,979	-	-	-	-	-	12,760	3,296,739
Municipal Arts	379,918	-	-	-	-	-	-	379,918
New City Hall	-	-	-	-	-	-	152,714	152,714
OPEB	1,988,290	-	-	-	-	-	-	1,988,290
Parking	1,062,329	-	-	-	-	-	-	1,062,329
Total Committed	7,849,056	-	-	-	-	-	179,025	8,028,081
<b>Assigned to:</b>								
Continuing Appropriations	3,912,286	-	-	-	-	4,447,734	-	8,360,020
Arts and Culture	50,000	-	-	-	-	-	-	50,000
Code Enforcement	50,000	-	-	-	-	-	-	50,000
Comprehensive Plan	40,000	-	-	-	-	-	-	40,000
Council Projects	37,071	-	-	-	-	-	-	37,071
Downtown Strategy	50,000	-	-	-	-	-	-	50,000
Policy and Legislative Advocacy	100,000	-	-	-	-	-	-	100,000
Total Assigned	4,239,357	-	-	-	-	4,447,734	-	8,687,091
<b>Unassigned:</b>	6,640,535	-	-	-	-	-	-	6,640,535
<b>Fund Balance Total:</b>	<b>\$19,203,377</b>	<b>\$43,042</b>	<b>\$10,344,161</b>	<b>\$592,666</b>	<b>\$2,001,133</b>	<b>\$4,447,734</b>	<b>\$7,656,449</b>	<b>\$44,288,562</b>



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

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets are not reported in the governmental funds.” The details of this \$243,062,427 are as follows:

Capital Assets Government Funds	\$243,062,427
Land	\$53,368,617
Construction in progress	4,023,202
Buildings	101,768,613
Less: Accumulated Depreciation	(26,179,346)
Improvements other than buildings	27,444,903
Less: Accumulated Depreciation	(2,803,845)
Machinery and Equipment	10,830,020
Less: Accumulated Depreciation	(7,558,161)
Infrastructure	171,188,203
Less: Accumulated Depreciation	(89,019,779)
Net Adjustment to increase fund balance - total governmental funds	
to arrive at net position - governmental activities	\$243,062,427

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

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

## NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City is compliant with all finance-related legal or contractual provisions.

## NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments are presented on the balance sheet in the basic financial statements at fair value. In general, interest earned from pooled deposits and investments is allocated to each fund based on the average earnings and daily cash balance of each fund, interest earned from fiduciary investments is allocated to the fiduciary fund holding the investment.

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

Bank Balance	
LGIP Investments	\$15,338,826
Bank Balance of Deposits	17,824,143
Investments	56,937,049
	<u>\$90,100,018</u>
Financial Statements	
Cash and Cash Equivalents	\$27,934,280
Investments	51,636,925
Fiduciary Cash	537,807
Fiduciary Investments	5,300,124
Bank account - Outstanding Items	4,717,092
Cash on Hand	(9,940)
Municipal Court Bank Account	(16,270)
	<u>\$90,100,018</u>

## A. Deposits

The City's bank balances of deposits and certificates of deposits at December 31, 2016 are entirely insured. The Federal Depository Insurance Commission (FDIC) insures the City's deposits up to \$250,000 and the Washington Public Deposit Protection Commission (WPDPC) insures amounts over \$250,000.

## B. Investments

As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer's Local Government Investment Pool, LGIP or certificates of deposit with Washington State banks and savings and loan institutions.

### Investments Measured at Amortized Cost

As of December 31, 2016, the City held the following investments at amortized cost:

Investment Type	Maturity	Olympia's Own Investments	Total
State Investment Pool	60 Days	\$15,338,826	\$15,338,826
<b>Total</b>		<b>\$15,338,826</b>	<b>\$15,338,826</b>

The City's investment in the State Investment Pool (LGIP) is a result of transactions at a stable net asset value per share of \$1.00, the same method used for reporting. The City may contribute and withdraw funds on a daily basis. The City must inform LGIP of any contribution or withdrawal over one million dollars no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, the City may complete transactions greater than one million dollars when notification is made between 9 a.m. and 10 a.m., at the sole discretion of LGIP and the State Treasurer. All City is required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. For further information on the LGIP and complete LGIP financial statements can be obtained from the Washington State Treasurer, [www.tre.gov](http://www.tre.gov), P.O. Box 40200, Olympia, WA 98504.

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The LGIP Investment policy requires that securities purchased be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement. The City does not have a specific Custodial Credit Risk Policy.

### Investments Measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles. Securities classified as Level 1 in the fair value hierarchy are valued using prices quoted in active markets for identical securities, Level 2 securities are valued using observable inputs, and Level 3 securities are valued using unobservable inputs. U.S. Agency and U.S. Treasury Securities classified in Level 2 are valued using quoted prices for similar securities and interest rates. The level of fair value measurement is based on the lowest level of significant input for the security type in its entirety. There are no Level 1 security classifications to report. Bank deposits are valued using a cost based measure to determine fair value.

As of December 31, 2016, the City held the following investments at fair value:

Investments by Fair Value	12/31/2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal Bond	\$12,302		\$-	\$12,302
U.S. Government & Agencies - FHLB	15,416,397		15,416,397	
U.S. Government & Agencies - FHLMC	2,045,035		2,045,035	
U.S. Government & Agencies - FNMA	13,094,834		13,094,834	
U.S. Treasury Notes	26,368,481		26,368,481	
<b>Total By Fair Value Level</b>	<b>\$56,937,049</b>	<b>\$-</b>	<b>\$56,924,747</b>	<b>\$12,302</b>
Bank Deposits	17,824,143			
<b>Total By Fair Value</b>	<b>\$74,761,192</b>			

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

**Credit Risk:** While the City does not have a written Credit Risk Policy, the City invests in securities identified as eligible investments as defined by State law (RCW 35A.40.050) "Fiscal – Investment of Funds", as interpreted by the most current edition of the Office of the State Treasurer, State of Washington publication titled "Eligible Investments for Public Funds." The city currently invests in securities issued by FHLMC, which was rated AAA/Negative Moody's Investor Services and AA+/Negative by S&P. The City does not have a specific Credit Risk Policy.

**Concentration of Credit Risk:** Safety of the principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is usually required and with the exception of U.S. Treasury securities and State of Washington LGIP pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or a single financial institution. The City does not have a specific Concentration of Credit Risk Policy.

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

## NOTE 5 - PROPERTY TAXES

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

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

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

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

- A. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- B. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$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 one percent limit. The City's regular levy for 2016 was \$2.4084 per \$1,000 on an assessed valuation of \$5,785,389,448 for a total regular levy of \$13,933,700.
- C. The City is also authorized to levy \$.45 per \$1,000 of assessed valuation for the firemen's pension fund. See Pension Note No. 7.B. This levy is subject to the same limitations as the levy for general government services. The city's firemen's pension levy for 2016 was \$.0017 per \$1,000 and is included in the amounts listed above.

## NOTE 6 – CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

### A. Capital Assets

Capital assets activity for the year ended December 31, 2016 is as follows:

Governmental Activities	Balance 01/01/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated:				
Land	\$47,443,531	\$5,926,586	\$1,500	\$53,368,617
Construction in progress	2,309,640	9,303,067	7,589,505	4,023,202
<b>Total capital assets, not being depreciated</b>	<b>49,753,170</b>	<b>15,229,653</b>	<b>7,591,005</b>	<b>57,391,819</b>
Capital assets, being depreciated:				
Buildings	101,265,690	650,009	147,086	101,768,613
Improvements other than buildings	27,334,767	176,006	65,870	27,444,903
Machinery and Equipment Govt.	9,953,571	1,045,006	168,557	10,830,020
Machinery and Equipment Int Svc	15,158,748	845,333	704,375	15,299,706
Machinery and Equipment Subtotal	25,112,319	1,890,339	872,932	26,129,726
Infrastructure	170,769,438	418,766	-	171,188,204
<b>Total capital assets being depreciated</b>	<b>324,482,214</b>	<b>3,135,120</b>	<b>1,085,888</b>	<b>326,531,446</b>
Less accumulated depreciation for:				
Buildings	22,957,027	3,340,805	118,486	26,179,346
Improvements other than buildings	2,611,256	258,459	65,870	2,803,845
Machinery and Equipment Govt.	7,367,098	359,620	168,557	7,558,161
Machinery and Equipment Int Svc	9,249,028	1,026,628	564,007	9,711,649
Machinery and Equipment Subtotal	16,616,126	1,386,248	732,564	17,269,810
Infrastructure	83,320,320	5,699,459	0	89,019,779
Total accumulated depreciation	125,504,729	10,684,971	916,920	135,272,780
<b>Total capital assets, being depreciated, net</b>	<b>198,977,485</b>	<b>(7,549,851)</b>	<b>168,968</b>	<b>191,258,666</b>
<b>Governmental activities capital assets, net</b>	<b>\$248,730,656</b>	<b>\$7,679,802</b>	<b>\$7,759,973</b>	<b>\$248,650,485</b>

Business-Type Activities	Balance 01/01/16	Increases	Decreases	Balance 12/31/16
Capital assets, not being depreciated:				
Land	\$4,474,565	\$61,103	\$-	\$4,535,668
Construction in Progress	2,017,162	1,117,934	118,378	\$3,016,718
<b>Total capital assets, not being depreciated</b>	<b>6,491,727</b>	<b>1,179,037</b>	<b>118,378</b>	<b>7,552,386</b>
Capital assets, being depreciated:				
Buildings	4,815,029	-	-	4,815,029
Improvements other than buildings	173,586,737	448,200	-	174,034,937
Machinery and equipment	3,198,079	312,592	33,080	3,477,591
Intangible assets	4,141,927	-	-	4,141,927
<b>Total capital assets being depreciated</b>	<b>185,741,772</b>	<b>760,792</b>	<b>33,080</b>	<b>186,469,484</b>
Less accumulated depreciation for:				
Buildings	4,092,993	136,022	-	4,229,015
Improvements other than buildings	60,201,518	4,245,184	-	64,446,702
Machinery and equipment	2,091,911	140,658	30,949	2,201,620
Intangible assets	1,097,587	73,553	-	1,171,140
Total accumulated depreciation	67,484,009	4,595,417	30,949	72,048,477
<b>Total capital assets, being depreciated, net</b>	<b>118,257,763</b>	<b>(3,834,625)</b>	<b>2,131</b>	<b>114,421,007</b>
<b>Business-type activities capital assets, net</b>	<b>\$124,749,490</b>	<b>\$(2,655,588)</b>	<b>\$120,509</b>	<b>\$121,973,393</b>

The amount of the decrease in the "Capital assets, being depreciated" in the Business Type Activities is more than the corresponding decrease in the accumulated depreciation for the same categories. The City disposed of assets within these categories prior to the end of the useful lives of those assets. These assets were not fully depreciated therefore the decrease in the asset was more than the decrease in the accumulated depreciation.

Depreciation and Amortization expense was charged to functions/programs of the primary government and the business type activities for the year ended December 31, 2016 are as follows:

<b>Governmental Activities:</b>	
General Government:	\$ 3,736,529
Security of Persons and Property	62,183
Transportation	5,711,125
Culture and Recreation	148,506
Internal Service Funds	<u>1,026,628</u>
Total Depreciation/Amortization – Governmental Activities	\$ 10,684,971
<b>Business-Type Activities:</b>	
Drinking Water/ Wastewater Utility	\$ 3,809,943
Waste ReSources Utility	15,232
Storm and Surface Water Utility	<u>770,242</u>
Total Depreciation/Amortization – Business-Type Activities	\$ 4,595,417

## NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all pension plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pension for the year 2016:

<b>Aggregate Pension Amounts - All Pension Plans</b>	
Pension Liabilities	\$ 28,770,453
Pension Assets	\$ 4,793,051
Deferred Outflows of Resources related to pensions	\$ 7,784,071
Deferred Inflows of Resources related to pensions	\$ 653,199
Pension Expense/Expenditures	\$ 4,479,603

### A. State Sponsored Pension Plans

The following table represents the aggregate pension amounts for the State Sponsored Pension Plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2016:

<b>Aggregate Pension Amounts - State Sponsored Pension Plans</b>	
Pension Liabilities	\$ 27,901,685
Pension Assets	\$ 4,793,051
Deferred Outflows of Resources related to pensions	\$ 7,587,943
Deferred Inflows of Resources related to pensions	\$ 653,199
Pension Expense/Expenditures	\$ 4,615,789

Substantially all City of Olympia 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](http://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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer*	Employee**
January through December 2016	11.18%	6.00%
* Employer rate includes 0.18% administrative fee		
** For employees participating in JBM, the Contribution rate was 12.26%		

\*The City of Olympia actual contributions to the plan were \$1,371,444 for the year ended December 31, 2016.

**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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer*	Employee 2**/3***
January through December 2016	11.18%	6.12%
* Employer rate includes 0.18% administrative fee		
** For employees participating in JBM, the Contribution rate was 15.30%		
*** For employees participating in PERS3, the Contribution rate varies		

The City of Olympia actual contributions to the plan were \$1,712,423 for the year ended December 31, 2016.

#### 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 2016 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer*	Employee
January through December 2016	11.54%	6.59%
* Employer rate includes 0.18% administrative fee		

The City of Olympia actual contributions to the plan were \$66,737 for the year ended December 31, 2016.



## 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 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll which totaled \$500 in 2016.

**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 2016 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer*	Employee
January through December 2016	5.23%	8.41%

\* Employer rate includes 0.18% administrative fee

The City of Olympia actual contributions to the plan were \$921,635 for the year ended December 31, 2016.

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, 2016, the state contributed \$60,375,158 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 2016 with a valuation date of June 30, 2015. 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 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, 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.

- For all systems, except LEOFF2, the assumed valuation interest rate was lowered from 7.80% to 7.7%.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF2 active members is calculated.
- New LEOFF2 benefit definitions were added with in the OSA valuation software to model legislation signed into law during the 2015 legislative session.

#### 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, 2016, 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	Percent 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%
<b>100%</b>		

#### Sensitivity of NPL

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

Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 15,828,857	\$ 13,126,183	\$ 10,800,366
PERS 2/3	\$ 26,973,672	\$ 14,650,210	\$ (7,626,280)
PSERS 2	\$ 544,036	\$ 125,292	\$ (172,982)
LEOFF 1	\$ (819,382)	\$ (1,379,337)	\$ (1,857,973)
LEOFF 2	\$ 9,572,997	\$ (3,413,714)	\$ (13,201,924)

### 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, 2016, the City of Olympia reported a total pension liability of \$27,901,685 for its proportionate share of the net pension liabilities and a total pension asset of (\$4,793,051) for its proportionate share of the net pension assets as follows:

Plan	Liability or (Asset)
PERS 1	\$ 13,126,183
PERS 2/3	\$ 14,650,210
PSERS 2	\$ 125,292
LEOFF 1	\$ (1,379,337)
LEOFF 2	\$ (3,413,714)

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City of Olympia. The amount recognized by the City of Olympia 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 of Olympia were as follows:

Plan	Liability or (Asset)
LEOFF 2 – employer's proportionate share	\$ (3,413,714)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	\$ (2,225,493)
Total	\$ (5,639,207)

At June 30, the City of Olympia proportionate share of the collective net pension liabilities/assets was as follows:

Plan	Proportionate Share 06/30/2015	Proportionate Share 06/30/2016	Change in Proportion
PERS 1	0.231015%	0.244414%	0.013399%
PERS 2/3	0.276999%	0.290972%	0.013973%
PSERS 2	0.290827%	0.294818%	0.003991%
LEOFF 1	0.135558%	0.133879%	-0.001679%
LEOFF 2	0.563046%	0.586922%	0.023876%

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 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, 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 2016, the State of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

## Pension Expense

For the year ended December 31, 2016, the City of Olympia recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ 1,369,504
PERS 2/3	\$ 2,221,748
PSERS 2	\$ 110,584
LEOFF 1	\$ (161,091)
LEOFF 2	\$ 1,075,044
<b>Total</b>	<b>\$ 4,615,789</b>

## Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the City of Olympia 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
Net difference between projected and actual investment earnings on pension plan investments	\$ 330,497	-
Contributions subsequent to the measurement date	\$ 688,162	-
<b>TOTAL</b>	<b>\$ 1,018,659</b>	<b>-</b>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 780,113	\$ 483,627
Net difference between projected and actual investment earnings on pension plan investments	\$ 1,792,763	-
Changes of assumptions	\$ 151,422	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 564,810	-
Contributions subsequent to the measurement date	\$ 858,591	-
<b>TOTAL</b>	<b>\$ 4,147,699</b>	<b>\$ 483,627</b>

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,678	-
Net difference between projected and actual investment earnings on pension plan investments	\$ 25,841	-
Changes of assumptions	\$ 486	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 1,490	-
Contributions subsequent to the measurement date	\$ 35,258	-
<b>TOTAL</b>	<b>\$ 105,753</b>	<b>-</b>

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ 140,207	-
Contributions subsequent to the measurement date	\$ 250	-
<b>TOTAL</b>	<b>\$ 140,457</b>	<b>-</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 467,771	-
Net difference between projected and actual investment earnings on pension plan investments	\$ 1,226,685	-
Changes of assumptions	\$ 12,871	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	\$ 169,572
Contributions subsequent to the measurement date	\$ 468,048	-
<b>TOTAL</b>	<b>\$ 2,175,375</b>	<b>\$ 169,572</b>

<b>Total of All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,290,562	\$ 483,627
Net difference between projected and actual investment earnings on pension plan investments	\$ 3,515,993	-
Changes of assumptions	\$ 164,779	-
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 566,300	\$ 169,572
Contributions subsequent to the measurement date	\$ 2,050,309	-
<b>TOTAL</b>	<b>\$ 7,587,943</b>	<b>\$ 653,199</b>

Deferred outflows of resources related to pensions resulting from the City of Olympia contributions subsequent to the measurement date in the amount of \$2,050,309 will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31:</b>	<b>PERS 1</b>	<b>Year Ended December 31:</b>	<b>PERS 2/3</b>	<b>Year Ended December 31:</b>	<b>PSERS2</b>
2017	\$ (81,375)	2017	\$ 199,532	2017	\$ 8,714
2018	\$ (81,375)	2018	\$ 199,532	2018	\$ 8,714
2019	\$ 303,526	2019	\$ 1,529,200	2019	\$ 24,635
2020	\$ 189,721	2020	\$ 877,217	2020	\$ 19,366
<b>Total</b>	<b>\$ 330,497</b>	<b>Total</b>	<b>\$ 2,805,481</b>	2021	\$ 8,897
				Thereafter	\$ 169
				<b>Total</b>	<b>\$ 70,495</b>

<b>Year Ended December 31:</b>	<b>LEOFF1</b>	<b>Year Ended December 31:</b>	<b>LEOFF2</b>
2017	\$ (28,974)	2017	\$ (50,893)
2018	\$ (28,974)	2018	\$ (50,893)
2019	\$ 121,430	2019	\$ 979,368
2020	\$ 76,725	2020	\$ 663,620
<b>Total</b>	<b>\$ 140,207</b>	2021	\$ (3,447)
		<b>Total</b>	<b>\$ 1,537,755</b>

## B. Single Employer Plan

### FIREMENS' PENSION

#### Summary of Significant Accounting Policies

The Firemens' Pension Fund Plan (FPFP) report has been prepared in conformity with the standards set by the Governmental Accounting Standards Board (GASB). The plan report is prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Interest income is recognized when earned.

Separate financial statements are not issued for the FPFP. The statement of fiduciary net position and the statement of changes in fiduciary net position for the fire pension plan can be found in the Trust and Agency Section of the Basic Financial Statements portion of this report. The notes to the FPFP provide detailed disclosures related to GASB Statements 67 and 68. The following table represents the aggregate pension amounts for the FPFP for the year 2016:

Aggregate Pension Amounts - Fire Pension Fund	
Pension Liabilities	\$868,768
Deferred Outflows of Resources related to pensions	\$196,128
Pension Expense/Expenditures	\$(136,186)

#### Benefits Provided

The FPFP provides the excess fire pensions of the retirement, disability, and death benefits to plan members, widows or widowers, and beneficiaries over those benefits calculated under the LEOFF law. Information regarding LEOFF retirement benefits can be found in the LEOFF Plans 1 and 2 section of Pension Plans, Multiple Employer Plans of the notes to the financial statements. Retirement benefits under the FPFP for general plan members are equal to fifty percent of the basic salary attached to the rank and status of the retiree at the date of retirement, provided that the member has served for twenty-five years. Members with service more twenty-five years shall receive an increased pension by two percent of the basic salary per year for each full year of additional service, not to exceed a total pension payment of sixty percent of the basic salary established.

Disability retirement benefits are determined in the same manner as retirement benefits for duty-related disabilities. All plan members are eligible for non-disability benefits if the member completed their probationary period and were permanently appointed; benefits are equal to fifty percent of the basic salary at the time of disability. Pension benefits are provided for widows or widowers of plan members and are paid at the same monthly rate that the member was eligible to receive at the time of death. Funeral expenses in the amount of five hundred dollars is payable upon the death of any plan member to assist in defraying the funeral expenses of the member.

Annual cost-of-living adjustments to each member's retirement benefit occur automatically when the basic salary of the rank and status attached to the retirees final position increases. Pension benefits provided to widows or widowers of plan members are increased a minimum of two percent each year, increases for more than two percent must be authorized by the FPFP Board.

#### Plan Description

The City administers of the FPFP which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 14.16 and 14.18. Membership is limited to fire fighters employed prior to March 1, 1970, when the State of Washington established the LEOFF retirement system. The City's obligation under the FPFP consists of paying all benefits, including payments to beneficiaries, for firefighters who retired prior to March 1, 1970, and excess benefits over LEOFF for covered fire fighters who retired on or after March 1, 1970.

Management of the FPFP is overseen by the Board of Trustees of the FPFP, which consists of five members - the Mayor, the City Comptroller or Clerk, the Chairperson of Finance of the City Council, and two eligible plan members elected by the plan members. The elected firefighters shall select a third eligible member who will serve as an alternate in the event of an absence of one of the regularly elected members.

Membership of the Firemens' Pension Plan consisted of the following at December 31, 2016, the date of the latest actuarial valuation:

Firefighters retired from service after March 1, 1970	12
Firefighters disabled in line of duty since March 1, 1970	9
Survivors of Firefighters retired after March 1, 1970	5

### Funding Policy

Under State law, the FFPF is funded from an allocation from the State of Washington of fire insurance premium taxes; interest earnings; member contributions which were made prior to March 1, 1970 (the inception of LEOFF); and City contributions required to meet projected future pension obligations. The City is funding the plan from City contributions over a 26 year (2000-2025) funding plan of property tax revenues, along with future revenues from state fire insurance taxes and interest earnings which will be sufficient to pay all future pension benefits. The state contributes a portion of taxes collected on fire insurance premiums to the FFPF and is considered a non-employer contributing entity. The revenue received through this tax amounted to \$91,883 in 2016. Since the benefits provided by the Plan are the excess benefits between the City's FPF plan and the state's LEOFF plan, a modified aggregate projected benefit actuarial cost method is used for funding purposes. Under this method, all excess liabilities not covered by the actuarial assets as of the date of the valuation are funded as a level dollar or an increasing dollar amount over the period until the youngest participant is expected to reach age 74.

### Net Pension Liability of the City

The components of the net pension liability of the City at December 31st were as follows:

Total Pension Liability	\$ 5,548,920
Plan Fiduciary Net Position	4,680,152
<b>City's Net Pension Liability</b>	<b>\$ 868,768</b>

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

#### **Actuarial Valuation Assumptions**

<b>Valuation Date:</b>	January 1, 2015	January 1, 2016
<b>Measurement Date:</b>	December 31, 2015	December 31, 2016
<b>Inflation:</b>	2.25%	2.25%
<b>Salary Increases Including Inflation</b>	3.25%	3.25%
<b>Discount Rate</b>	3.50%	3.75%
<b>Long-Term Expected Rate of Return</b>	3.50%	3.75%
<b>Municipal Bond Rate</b>	3.50%	3.75%
<b>Mortality</b>	RP-2000 Mortality Table, projected to 2019 using 50% of Projection Scale AA, adjusted one year back and forward for males and females respectively (forward 2 years for disabled members).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (forward 2 years for disabled members).
<b>Actuarial Cost Method:</b>	Entry Age Normal	Entry Age Normal

The long-term expected rate of return on pension plan investments was determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of December 31, 2016 are as follows:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	0.50%
Short-Term Bonds	1.41%
Assumed Inflation	2.25%
Long-Term Expected Rate of Return	3.75%

The discount rate used to measure the total pension liability was 3.75 percent. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. The Bond Buyer General Obligation 20-year municipal bond index as of December 31, 2016 is 3.75 percent. Rounding this to the nearest 1/4 percent results in the discount rate.

The following presents the sensitivity of the net pension liability to changes in the discount rate for the City, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<b>Sensitivity of the Net Pension Liability</b>			
	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	2.75%	3.75%	4.75%
City's Net Pension Liability	\$1,495,121	\$868,768	\$336,921

### Investments

As of December 31, 2016, the FPFP had an investment portfolio with a fair value of \$4,498,357 which was invested in U.S. Governmental and Municipal Agencies on behalf of the Firemen's Pension Plan. In addition to these investments, the Plan had cash and cash equivalents totaling \$167,777 in the Washington State Treasurer Local Government Investment Pool (LGIP), a Rule 2a-7 money market type fund with an average portfolio maturity of less than 91 days. All investments are valued at fair value.

As of December 31, 2016 the annual money-weighted rate of return on pension plan investments, net of investment expenses, was 0.93 percent. The money-weighted rate of return considers the changing amounts actually invested during the period and weights the amount of the pension plan investments by the proportion of time they are available to earn a return during the period.

Investments of the FPFP are the responsibility of the City and are included in the City's portfolio and therefore are included in the City's investment policy, which is found in Note 4.

### Changes in the Net Pension Liability

The changes in the net pension liability of the City for the FPFP at December 31st was as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances as of December 31, 2015</b>	<b>\$5,823,975</b>	<b>\$4,782,716</b>	<b>\$1,041,259</b>
Changes for the year:			
Interest on total pension liability	198,178		198,178
Effect of plan changes	-	-	-
Effect of economic/demographic gains/(losses)	(146,960)	-	(146,960)
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(326,273)	(326,273)	-
Employer contributions	-	100,000	(100,000)
Contributions from state fire insurance premium tax	-	91,883	(91,883)
Net Investment income	-	43,851	(43,851)
Administrative expenses	-	(12,025)	12,025
<b>Balances as of December 31, 2016</b>	<b>\$5,548,920</b>	<b>\$4,680,152</b>	<b>\$868,768</b>

### Deferred Outflows of Resources

At December 31, 2016 the City reported deferred outflows of resources related to the FPFP from the following source:

PERS 1	Deferred Outflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$196,128
<b>TOTAL</b>	<b>\$196,128</b>

Deferred outflows of resources related to the FPFP will be recognized in pension expense as follows:

Year Ended December 31:	FPFP
2017	\$57,309
2018	\$57,309
2019	\$57,310
2020	\$24,200
<b>Total</b>	<b>\$196,128</b>

## **NOTE 8 - RISK MANAGEMENT**

### **A. Liability and Auto**

The City of Olympia is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 168 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 to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

### **B. Property**

The City of Olympia purchases property insurance for buildings, contents and other insurable assets through Factory Mutual Global Insurance. Year 2016 coverage extends to approximately \$280 million of City property with a \$35,000 deductible. The coverage includes \$50 million earth movement subject to a 5% per location or minimum of \$100,000 deductible and flood coverage subject to a \$50,000 per location deductible.

### **C. Health and Welfare**

The City of Olympia 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, 2016, 258 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, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and 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. In 2016, the AWC Trust HCP purchased 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 two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

#### D. Settlements

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

### NOTE 9 - LONG-TERM LIABILITIES

#### A. Long-Term Debt

The City issues general obligation and revenue bonds to finance the acquisition or construction of capital assets. General obligation bonds have been issued for the general government. General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City. Revenue Bonds have been issued by the City, under the City of Olympia's Water and Sewer Utilities. The City does not pledge the full faith and credit for the payment of the debt service on revenue bonds. Payment of debt service on the bonds for each utility is derived solely from the revenues generated by the related utility.

The City is also liable for notes that were entered into for the acquisition or construction of capital assets. These notes are considered obligations of either the general government or the proprietary funds and are being repaid with general government revenue and proprietary fund revenues, respectively.

General obligation bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2016
<b>General Obligation Bonds</b>					
2009A City Hall LTGO	2,400,000	318 - 322	2019	4.199	890,000
2009B City Hall BABs	32,810,000	2,099 - 3,303	2039	4.199	32,810,000
2009 Fire Dept Station and Training Center	16,180,000	1,190 - 1,195	2029	4.035	11,850,000
2010 Streets Projects LTGO	5,865,000	434 - 437	2029	5.00	4,325,000
2010B HOCM LTGO	5,670,000	291 - 563	2028	4.250	4,490,000
2013 WA Center, LED, and Parks LTGO	6,345,000	165 - 560	2032	5.00	4,840,000
<b>Total General Obligation Bonds</b>					<b>\$59,205,000</b>

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2017	1,975,000	3,177,225
2018	2,060,000	3,096,149
2019	2,155,000	3,008,499
2020	2,265,000	2,916,749
2021	3,025,000	2,816,170
2022-2026	15,110,000	11,992,123
2027-2031	13,520,000	8,215,464
2032-2036	11,270,000	4,783,815
2037-2039	7,825,000	1,036,034
Total	\$59,205,000	\$41,042,228

Enterprise revenue bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2016
<b>Enterprise Revenue Bonds</b>					
2007 Waterworks	8,000,000	240 - 610	2027	4.00-4.125	5,335,000
2010 Waterworks	6,485,000	475 - 480	2030	3.45	4,995,000
2013 Water/ Sewer	7,780,000	650 - 910	2023	4.10	5,725,000
<b>Total Enterprise Revenue Bonds</b>					<b>\$16,055,000</b>
<b>Special Assessment Notes - LID Debt</b>					
LID 762 - Woodland Park Water	167,998		2017	6.50	12,302
<b>Total Special Assessment Bonds</b>					<b>\$12,302</b>
<b>Total Bonds Outstanding</b>					<b>\$75,272,302</b>

Enterprise revenue bond debt service requirements to maturity are as follows:

Year Ending December 31,	Business Type Activities	
	Principal	Interest
2017	1,385,000	659,981
2018	1,430,000	611,981
2019	1,490,000	554,781
2020	1,555,000	487,381
2021	1,625,000	417,031
2022-2026	6,235,000	1,167,875
2027-2031	2,335,000	216,325
Total	\$16,055,000	\$4,115,355

Loans currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2016
<b>State of Washington Trust Fund Loans</b>					
4th Avenue Bridge	6,049,030	360,377	2020	1.00	1,441,509
4th Avenue Bridge	3,111,250	173,382	2021	1.00	866,912
Sleater-Kinney Sewer	1,808,375	57-62,000	2028	0.05	1,103,355
Subtotal State of Washington Trust Fund Loans					\$3,411,776
<b>Other Loans</b>					
Local Program Energy Savings	1,534,496	68-171,000	2020	2.97	588,503
U.S. HUD Department Section 108 Loan	325,000	65-66,000	2020	LIBOR + 0.2%	65,000
2016 Parks BAN	10,000,000	\$10,000,000	2019	1.35	6,096,882
DOE Septic Conversion Assistance Program	250,000	100-900	2031	2.90	85,885
DOE State Ave. Stormwater Retrofit	619,485	5-19,800	2035	2.30	618,206
Yauger Park Stormwater	1,214,018	6-41,000	2031	3.10	927,033
DWSRF McAllister Wellfield Development	6,060,000	284,463	2034	1.50	5,120,340
DWSRF McAllister Wellfield Transmission Pipeline	4,811,640	240,582	2034	1.50	4,330,476
DWSRF McAllister Wellfield Corrosion Control Facility	4,058,632	N/A*	2038	1.50	130,149
DWSRF Fones Road Booster Pump Stations	1,931,982	N/A*	2038	1.50	360,609
DWSRF SE Olympia Reservoir Loan	11,983,650	N/A*	2037	1.50	1,626,341
Subtotal Other Loans					\$19,949,424
Loans Total					\$23,361,200

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

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

Year Ending December 31,	Governmental Activities		Business Type Activities		Total Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$695,752	\$170,787	\$781,697	\$255,151	\$1,477,449	\$425,938
2018	700,600	161,468	784,109	203,184	1,484,709	364,652
2019	6,867,476	84,503	814,308	198,568	7,681,784	283,071
2020	621,596	6,642	816,857	186,107	1,438,453	192,749
2021	173,382	867	819,478	173,573	992,860	174,440
2022-2026	-	-	4,139,330	677,232	4,139,330	677,232
2027-2031	-	-	3,819,486	355,043	3,819,486	355,043
2032-2036	-	-	2,236,667	84,250	2,236,667	84,250
2037-2038	-	-	90,460	1,455	90,460	1,455
Total	\$9,058,806	\$424,267	\$14,302,392	\$2,134,563	\$23,361,198	\$2,558,830

At December 31, 2016, the City has \$71,765 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,260,900 in reserves as required by bond indentures. The Drinking Water and Wastewater Utilities of the proprietary funds are responsible for the repayment of the Enterprise Revenue Bonds. Revenue bonds are payable from revenues generated by the user fees, and are backed by the Drinking Water and Wastewater Utilities. The Drinking Water and Wastewater Utility Fund has \$18,898,676 in Unrestricted Net Position, ensuring that funds are available for repayment.

There are a number of other limitations and restrictions contained in the various indentures. The City is in compliance with all significant limitations and restrictions. Debt service requirements for the LID 762 Woodland Park Water special assessment bonds are met by assessments levied against property owners. The L.I.D. as of December 31, 2016 has a outstanding balance of \$12,302. The City has no financial obligation for defaults by property owners on special assessment debt except for insuring the funding of the Guaranty Fund and as of December 31, 2016 the Guaranty Fund has a balance of \$78,116. Assessments are liens against the assessed property.

#### Legal debt margin

The City's total legal limit of indebtedness is 7.5% of the assessed property value, \$5,785,389,448 of which 1.5% may be for General Purpose Debt without a vote of the people, 1% may be for General Purpose Debt with a vote of the people, 2.5% may be for Utility Purpose Debt with a vote of the people, and 2.5% may be for Open Space, Parks, and Capital Facilities Debt with a vote of the people. At December 31, 2016 the available debt limit is as follows:

	Debt Limit	Applicable Debt
General Purpose Debt Limit without a vote of the people (1.5%)	\$86,780,842	\$57,043,396
General Purpose Debt Limit with a vote of the people (1.0%)	57,853,894	11,850,000
Utility Purpose Debt Limit with a vote of the people (2.5%)	144,634,736	-
Open Space, Park, and Capital Facilities Debt Limit with a vote of the people (2.5%)	144,634,736	-
	<u>\$433,904,208</u>	<u>\$68,893,396</u>
Assessed Value	\$5,785,389,448	

#### **B. Debt Service Requirements to Maturity**

The following table displays total annual debt service requirements to maturity on all bonds and loans including interest as of December 31, 2016. Amounts listed include principal and interest.

Year Ending December 31,	Bonds	Other Loans	Trust Fund Loans	Total
2017	7,197,204	1,253,416	649,972	9,100,592
2018	7,198,130	1,204,318	645,042	9,047,490
2019	7,208,280	7,324,744	640,112	15,173,136
2020	7,224,130	996,021	635,181	8,855,332
2021	7,883,201	897,427	269,874	9,050,502
2022	7,633,663	887,974	95,164	8,616,801
2023	7,433,574	878,521	94,704	8,406,799
2024	6,486,155	869,067	94,245	7,449,467
2025	6,478,782	859,614	93,785	7,432,181
2026	6,472,825	850,161	93,325	7,416,311
2027	6,464,833	840,708	92,865	7,398,406
2028	5,525,680	831,255	92,406	6,449,341
2029	5,210,359	821,801	-	6,032,160
2030	3,546,996	775,860	-	4,322,856
2031	3,538,920	719,633	-	4,258,553
2032	3,494,359	706,665	-	4,201,024
2033	3,214,071	693,696	-	3,907,767
2034	3,166,077	684,243	-	3,850,320
2035	3,117,194	149,745	-	3,266,939
2036	3,062,115	86,568	-	3,148,683
2037	3,010,810	85,309	-	3,096,119
2038	2,952,635	6,605	-	2,959,240
2039	2,897,590	-	-	2,897,590
Total	\$120,417,583	\$22,423,351	\$3,496,675	\$146,337,609

### C. Current Portion of Long Term Liabilities

The following table displays the principal portion of each debt instrument that is due within one year of the statement date of December 31, 2016:

State of Washington Trust Fund Loans	
4th / 5th Ave Corridor	533,760
Sleater Kinney Sewer Project	91,946
Subtotal State of Washington Trust Fund Loans	<u>\$625,706</u>
State of Washington Local Loans	
Yauger Park Stormwater	\$56,625
LOCAL Program Energy Savings	161,992
DWRSF McAllister Wellfield Loan	284,463
DWRSF McAllister Pipeline Loan	240,582
DWRSF McAllister Reservoir Loan	77,445
DOE Septic Connection Assistance Loan	4,385
DOE State Avenue Stormwater Loan	26,250
Subtotal State of Washington Local Loans	<u>\$851,742</u>
Revenue Bonds	
2007 Waterworks	375,000
2010 Waterworks	270,000
2013 Water/Sewer Bond	740,000
Subtotal Enterprise Revenue Bonds	<u>\$1,385,000</u>
General Obligation Bonds	
2009A City Hall LTGO	285,000
2009 Fire Stn Construction LTGO	710,000
2010 Streets Projects LTGO	260,000
2010B HOCM LTGO	255,000
2013 WA Center, LED, and Parks LTGO	465,000
Subtotal General Obligation Bonds	<u>\$1,975,000</u>
Total Principal amount due within one year	<u><u>\$4,837,448</u></u>

#### D. Changes in Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities:

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/2016	Due Within One Year
<b>Governmental Activities</b>					
G.O. Bonds	\$62,235,000	\$-	\$3,030,000	\$59,205,000	\$1,975,000
Premium	668,939	-	39,349	629,590	39,349
Total Bonds Payable	62,903,939	-	3,069,349	59,834,590	2,014,349
Special Assessment Notes	17,783	-	5,481	12,302	-
Other Loans	745,787	6,355,882	351,285	6,750,384	161,992
WA State Trust Fund Loans	2,842,181	-	533,760	2,308,421	533,760
Net Pension Liability - State Plans	16,619,639	9,774,617	5,461,379	20,932,877	-
Net Pension Liability - Fire Pension	1,041,259	210,203	382,694	868,768	-
OPEB payable	8,963,470	2,188,028	813,624	10,337,874	-
Compensated Absences	4,737,657	3,763,424	3,427,214	5,073,867	3,409,849
Subtotal	\$97,871,715	\$22,292,154	\$14,044,786	\$106,119,083	\$6,119,950
<b>Business - Type Activities</b>					
Enterprise Revenue Bonds	\$17,385,000	\$-	\$1,330,000	\$16,055,000	\$1,385,000
Premium	556,474	-	68,612	487,862	68,612
Discount	(25,321)	-	(2,186)	(23,135)	(2,186)
Total Bonds Payable	17,916,153	-	1,396,426	16,519,727	1,451,426
WA State Trust Fund Loans	1,195,302	-	91,947	1,103,355	91,946
LOCAL Loans	12,867,965	923,254	592,180	13,199,039	689,750
Net Pension Liability	5,415,006	3,326,221	1,772,419	6,968,808	-
Compensated Absences	845,427	997,977	972,885	870,519	859,331
Subtotal	\$38,239,853	\$5,247,452	\$4,825,857	\$38,661,448	\$3,092,453
<b>Total</b>	<b>\$136,111,568</b>	<b>\$27,539,606</b>	<b>\$18,870,643</b>	<b>\$144,780,531</b>	<b>\$9,212,403</b>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$31,188 of internal service funds compensated absences are included in the above amounts, of which \$31,188 is estimated to be used in the next year. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. It is estimated that the amount of compensated absences to be used in the next year in Governmental and Business-Type Activities is \$3,378,661 and \$859,331 respectively. The Other Post-Employment Benefits Trust Fund (a sub-fund of the General Fund) provides funding for the payment of the benefits related to the Other Post-Employment Benefits (OPEB), however the General Fund would be responsible for funding beyond the available resources of the OPEB Trust Fund. For further information related to OPEB see Note 17 Postemployment Benefits Other than Pension Benefit.

The net pension liability of the state plans for both the governmental funds and the business type funds are funded via required contributions as a percentage of payroll of employees within each fund. For further information related to the state plans see Note 7 State Sponsored Pension Plans.

The net pension liability of the fire pension plan is generally liquidated by the Fire Pension Plan Trust Fund, however the General Fund would be responsible for funding beyond the available resources of the Fire Pension Trust Fund. For further information related to the Fire Pension Plan Trust Fund see Note 7 B. Firemen's Pension.

#### E. Arbitrage Rebate

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Olympia monitors its bond spend-down and investments to restrict earnings to a yield less than the bond issue, and therefore limits any arbitrage liability. As of December 31, 2016 the City has no arbitrage rebate liability.

## NOTE 10 - LEASES

### A. Operating Leases

The City leases land, building, and police radios under noncancelable operating leases. Total cost for such leases was \$123,501 for the year ended December 31, 2016. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Amount
2017	123,376
2018	123,376
2019	103,400
2020	44,000
2021 - 2025	100,000
2026 - 2030	100,000
2031 - 2035	100,000
2036 - 2040	100,000
2041 - 2045	100,000
2046 - 2050	100,000
2051 - 2053	40,000

### B. Capital Leases

The City has entered into a lease agreement for financing a 2016 Nissan Leaf in which the City paid the lease in full at the time of delivery for a total of \$10,432.

The lease agreement qualifies as a capital lease for accounting purposes, therefore, has been recorded at the present value of the lease payment.

The asset acquired through the capital lease is:

Asset	Governmental Activities
2016 Nissan Leaf	\$10,432
Less Accumulated Depreciation	\$4,781
Total	\$5,651

## NOTE 11 - CONTINGENCIES AND LITIGATIONS

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

### A. Litigation

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

### B. Contingent Liabilities

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

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

### C. Pollution Remediation

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

1. Parking Lot – State Avenue

In 2008 the city purchased property for the State Department of Transportation (DOT) to develop a parking lot. The purchase and sale agreement called for the City to clean up the contaminated site and be reimbursed by the DOT for all costs up to the amount of the land purchase, \$1,284,462, in addition to interest earned on the proceeds. The site is remediated at a cost of \$1,373,820 and the DOT has reimbursed the City \$1,315,755. In 2015 the City sold a portion of the site to a developer for the purpose of building low income housing. The City will continue to monitor both sites and work with the Department of Ecology to receive a "No Further Action Required" letter.

2. Percival Landing's Southern Site

Percival Landing's southern site is made up of two parcels, the Olympia Center Parking lot and the City of Olympia Waste Water pump station. The parking lot parcel was acquired in 1988 and the sewer pump parcel was purchased in 1949. These parcels contain contaminated soil and the City is working to complete the site investigation phase with the Department of Ecology's oversight. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the city may capitalize those costs with the development, the city has not accrued any liability on the Entity-Wide Statement of Net Position. The city is under no current obligation for immediate remediation action on the southern site.

3. 8th Avenue Park

In 2006, the City purchased this four acre parcel at 3000 8th Ave NE to be a future park. The site contains soil contamination from its historic use as a commercial berry farm and is currently closed to public use. Cost estimates for site cleanup have not been determined. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the city may capitalize those costs with the development, the city has not accrued any liability on the Entity-Wide Statement of Net Position. The city is under no current obligation for immediate remediation action on the southern site.

4. West Bay

In 2005 the City acquired property on West Bay Drive from the Port of Olympia to develop a waterfront park. The site was located in an area historically subject to industrial uses, and it was known that portions of the property were contaminated. Clean-up actions on the northern portion of the site were associated with Phase 1 of the West Bay Park, and were completed in 2009. The City has spent approximately \$1,494,423 on remediation, and received approximately \$802,455 in reimbursements from a Department of Ecology grant and \$439,412 from the Port of Olympia; the unreimbursed costs have been capitalized. The City is continuing to monitor and test the northern part of the site until the Department of Ecology confirms full remediation.

The southern portion of the site still contains contaminated soil, and the City has prepared a draft RI/FS that was submitted to the Department of Ecology for approval. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the city may capitalize those costs with the development, the city has not accrued any liability on the Entity-Wide Statement of Net Position. The City is under no current obligation for immediate remediation action.

5. Isthmus Property

The City purchased the Isthmus parcels in 2013. Contaminated soil is known to exist on the property. The City is currently in the planning stages for the development of the property. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the City may capitalize those costs with the development, the City has not accrued any liability on the Statement of Net Position. The City is under no current obligation for immediate remediation action on the contaminated soil. The City confirmed asbestos and lead in the buildings. The City removed the hazardous material from both of the buildings and completed demolition of the buildings in order to prepare the property for its intended use, and since the City will capitalize those costs, the City has not accrued any liability on the Statement of Net Position.

6. Heritage Fountain Parcels

In 1994, the City acquired the Heritage Fountain property to develop the Heritage Park Fountain. A portion of the site contained a former fuel station that operated between 1932 and 1959. Between 1995 and 1997, the City removed contaminated soil and operated an air sparge and soil vapor recovery system to provide for the final treatment of contaminated soil and groundwater at the site. In 2013, the Department of Ecology notified the City that the documentation demonstrating cleanup standards were achieved for the soils and groundwater submitted to Ecology was insufficient. In 2007, the City acquired the adjacent parcel to add to the Heritage Park site. During the redevelopment of 4th Avenue in 2002, this parcel was confirmed to contain contaminated soil and investigated in 2007. Any future investigations for the



Heritage Fountain site will include both of these parcels. Cost estimates for further site characterization and/or cleanup have not been determined. The City has not accrued any liability on the Entity-Wide Statement of Net Position. The City is under no current obligation for immediate remediation action

7. West Olympia Landfill

In the early 1940s, the City purchased property that had been used for household waste disposal and continued operating it as a municipal landfill through the late 1960s. Since the mid-1980s, numerous investigations have been conducted (mostly by development companies) to understand the extent of any contamination. The results of many onsite and offsite soil, waste, soil gas, and groundwater tests indicate low levels of solvent waste in groundwater only. The City is currently in the process of establishing an Agreed Order with the Department of Ecology to finalize site characterization efforts and determine remedial activities. The City is positioning the property for sale and future remediation activities are expected to coincide with development. The City has not accrued any liability on the Statement of Net Position.

8. Water Street Wastewater Lift Station

The City has owned and operated a sewage lift station in the 200 block of Water Street since 1961. In 1998, an underground storage tank used to supply diesel fuel for the backup generator was replaced with an above ground storage tank. During this replacement it was discovered that diesel fuel had leaked from the underground storage tank. The City is monitoring the site as part of a voluntary cleanup program. The City has not accrued any liability on the Statement of Net Position due to the unknown cost and unknown date of cleanup. The City is under no current obligation from the Department of Ecology for immediate remediation action.

9. Miller and Central Wastewater Lift Station

The City has owned and operated a sewage lift station in the 1900 block of Miller Avenue since 1970. In 1998, an underground storage tank used to supply diesel fuel for the backup generator was replaced with an above ground storage tank. During this replacement it was discovered that diesel fuel had leaked from the underground storage tank. The City is monitoring the site as part of a voluntary cleanup program. The City has not accrued any liability on the Statement of Net Position due to the unknown cost and unknown date of cleanup. The City is under no current obligation from the Department of Ecology for immediate remediation action.

10. 7th Avenue Right-of-Way

In 2005, the city reconstructed 7th Avenue between Water Street and Columbia Street. During construction contaminated soils were encountered at approximately mid-block on the north side of the street. Excavated soils were disposed of at a hazardous waste facility. Future excavation for utility maintenance or construction may trigger the need for additional action. The City is under no current obligation from Ecology for immediate remediation action and due to the unknown cost and unknown date of cleanup, the City has not accrued a liability on the Statement of Net Position.

## NOTE 12 – RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$31,518,314 of restricted net position, of which \$12,064,321 is restricted by enabling legislation. The remaining \$19,453,993 is restricted by other legally binding contracts. Restricted net position details for the year ended December 31, 2016 are listed in the following chart:

Restricted Net Position			
	Governmental Activities	Business-Type Activities	Total
<b>Total Liabilities</b>			
<b>Restricted by Enabling Legislation:</b>			
Impact Fees	\$10,344,161	\$-	\$10,344,161
SEPA Mitigation	1,484,192	-	1,484,192
Boating Safety, Seizure and Forfeitures, Other	192,926	-	192,926
HUD Programs	43,042	-	43,042
<b>Subtotal of Restricted by Enabling Legislation</b>	<b>12,064,321</b>	<b>-</b>	<b>12,064,321</b>
<b>Restricted by Other Legal Means:</b>			
Transportation, Parking, and Parks	\$7,435,055	\$-	\$7,435,055
Net Pension Asset	4,793,051	-	4,793,051
Workers Comp Reserve	2,543,219	-	2,543,219
Other Post Employment Benefits (OPEB)	1,988,290	-	1,988,290
Lodging Tax	592,665	-	592,665
Hands On Children's Museum	347,780	-	347,780
Prepaid Items and Habitat for Humanity Loan	190,893	-	190,893
Bond Fund & LID Fund Reserve	78,476	1,260,900	1,339,376
Farmers Market	74,840	-	74,840
Washington Center	73,610	-	73,610
Debt Services	58,214	-	58,214
Public Defense Improvements	17,000	-	17,000
<b>Subtotal of Restricted by Other Legal Means</b>	<b>18,193,093</b>	<b>1,260,900</b>	<b>19,453,993</b>
<b>TOTAL RESTRICTED NET POSITION</b>	<b>\$30,257,414</b>	<b>\$1,260,900</b>	<b>\$31,518,314</b>

## NOTE 13 - INTERFUND TRANSFERS

Interfund transfers at December 31, 2016 are listed below.

During the year, the majority of the transfers are used to move resources from the fund with collection authorization to debt service funds as debt service principal and interest payments become due, capital project funds when the authorized use of funds has been expended, and the general fund for specific purposes.

There were no significant transfers made during the year that do not occur on a routine basis or that was inconsistent with the activities of the fund making the transfer.

TRANSFERS OUT													
Fund Types	FUND	Special Revenue Funds					Capital Project Funds		Enterprise Funds				
		General Fund	H.U.D.	Impact Fee Fund	Lodging Tax Fund	Parks & Recreation Utility Tax Fund	Capital Improvement Fund	Other Governmental Funds	Drinking Water/Wastewater Funds	Waste Resources Funds	Storm & Surface Water Funds	Trust & Agency Funds	Total
General Fund	001-099	\$-	\$-	\$-	\$316,163	\$-	\$1,330,000	\$142,414	\$26,544	\$12,500	\$121,630	\$4,709	\$1,953,959
Capital Project Funds													
Capital Improvement Fund	317	1,183,147	-	1,330,296	-	710,105	-	998,231	-	-	-	-	4,221,779
Other Governmental Funds	Non-Major Funds	732,456	-	469,230	-	1,434,750	-	330,195	-	-	-	-	2,966,631
Enterprise Funds													
Solid Waste Fund	403	-	66,000	-	-	-	-	-	-	-	-	-	66,000
<b>Total Transfers Out</b>		<b>\$3,870,816</b>	<b>\$1,915,603</b>	<b>\$66,000</b>	<b>\$1,799,526</b>	<b>\$316,163</b>	<b>\$1,330,000</b>	<b>\$1,470,840</b>	<b>\$26,544</b>	<b>\$12,500</b>	<b>\$121,630</b>	<b>\$4,709</b>	<b>\$9,208,369</b>

## NOTE 14 – RECEIVABLE BALANCES

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

### A. Governmental Receivables

At December 31, 2016, the receivables from other governmental units consisted of the following:

Governmental Funds		
General Fund		
Medic I reimbursement	704,592	
FEMA-Fire Safer Grant	14,627	
Internal Revenue Service	7,768	
Thurston County Fire Districts	101,272	
US Department of Justice/Center for Court Innovation	14,115	
		\$842,374
Special Revenue Funds		
Federal Housing and Urban Development	4,854	
		4,854
Capital Project Funds		
WA Department of Transportation	47,788	
Transportation Improvement Board	19,908	
WA Department of Recreation and Conservation	59,710	
WA Department of Ecology	300,787	
		428,193
Business-Type Funds		
Enterprise Funds		
Port of Olympia	406,064	
		406,064
Internal Service Funds		
WA State Department of Enterprise Systems Fleet	3,977	
WA State Department Social Health and Services	102	
		4,079
Total Receivables		\$1,685,564

### B. Current and Non-Current Long-Term Receivables

At December 31, 2016, the receivables from current and long-term notes, contracts, and loans receivable consisted of the following:

General Fund	Current	Non-Current	Total
HUD Downtown Housing	83,852	2,308,832	2,392,684
<b>Subtotal - General Fund</b>	<b>83,852</b>	<b>2,308,832</b>	<b>2,392,684</b>
Special Revenue Funds			
Deferred Loans Receivable			
HUD Block/Shelter Grant	124,661	4,746,822	4,871,483
	<b>\$208,513</b>	<b>\$7,055,654</b>	<b>\$7,264,167</b>

## NOTE 15 - JOINT VENTURES AND INTERLOCAL AGREEMENTS

### A. Joint Ventures

#### 1. Animal Protection Services

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

An equity interest exists for the cities of Lacey, Olympia and Tumwater, and Thurston County. The City completed its financial statements prior to receiving the December 31, 2016 financial information from the reporting agency. Therefore the City has reported data as of December 31, 2015 in which the City of Olympia had a 22.81% share of the equity. Net Position as of December 31, 2015, were \$3,395,090. The City of Olympia reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position. The current equity share for the City is valued at \$774,420.

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

The City of Lacey accounts for the joint venture in a separate agency fund. Completed Financial Statements can be obtained from the City of Lacey Finance Department, 420 College Street SE, Lacey, WA 98503.

#### 2. Interlocal Drug Unit

The Interlocal Drug Unit provides drug control and investigation services to participating local governments in Thurston County. The Drug Unit is governed by a 5 member Executive Committee composed of the Thurston County Sheriff and Police Chiefs from the cities of Lacey, Olympia and Tumwater and by a representative from the Washington State Patrol. The Executive Committee governs the unit, approves and signs all grant agreements and contracts, and specifies staffing levels. Drug Unit personnel remain employees of the agency that assigned them to the Drug Unit. Approximately half of the Drug Unit personnel are funded by their departments. The Drug Unit is funded by grants and seizures of drug funds and the agreement states that each participant will contribute any additional funding equally. All monies and equipment will remain with the Drug Unit upon withdrawal of any permanent participant from the Drug Unit. The City of Lacey accounts for the joint venture in a separate special revenue fund and complete financial statements are available from the City of Lacey, Finance Department, 420 College Street SE, Lacey, WA 98503.

#### 3. Law Enforcement Records Management System

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

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, 2016, the City of Olympia has a 42.00% share of the equity. Net Position as of December 31, 2016, was \$75,776. The City of Olympia reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position. The current equity share for the City is valued at \$31,825.

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

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

## **B. Interlocal Agreement**

### **1. Capital Area Regional Public Facilities District (PFD)**

In 2006, the City of Olympia entered into a contract with the Capital Area Regional Public Facilities District (PFD) for the acquisition, development, operation and maintenance of the Hands On Children's Museum (HOCM). The PFD imposes a sales and use tax pursuant to RCW 82.14.390 to repay any financing obtained to fund the design, construction, acquisition, operation and/or maintenance of the museum. The monies collected as sales taxes shall only be used for the purposes permitted under RCW 82.14.390 and RCW 35.57.020. In 2016, the City of Olympia received \$451,137 in sales taxes levied by the PFD and is accounted for within the HOCM Special Revenue Fund.

### **2. LOTT Alliance**

The Alliance was formed by an interlocal agreement by Thurston County and the cities of Olympia, Lacey, and Tumwater. Under the interlocal agreement the City of Olympia receives Wastewater treatment services. In addition to the Wastewater treatment, LOTT provides reclaimed water for distribution by the City.

### **3. Thurston County Regional Health and Human Services Council**

The Council was formed by an interlocal agreement with Thurston County, and the cities of Lacey, Olympia, and Tumwater. Under the interlocal agreement the County and Cities agree to contribute funding in order to address unmet areas of need in health and human services. The Council will set priorities and provide oversight to ensure better utilization of the funding available for health and human resources within Thurston County. In 2016, the City of Olympia contributed \$81,351, which is received by Thurston County Public Health and Social Services Department.

## **NOTE 16 – UTILITY RATES**

### **A. Solid Waste:**

During 2016, basic residential garbage rates consisted of \$9.82 for one 20 gallon can service. The basic commercial rate for one 10 gallon can service was \$6.76.

### **B. Drinking Water:**

During 2016 basic monthly single family and duplex residential rates consisted of a \$11.76 ready to serve rate.

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

Block 1 (0 - 500 cubic feet): ..... \$1.74 per 100 cubic feet of water consumed.

Block 2 (501 - 1000 cubic feet): ..... \$2.86 per 100 cubic feet of water consumed.

Block 3 (1001 - 1500 cubic feet): ..... \$4.56 per 100 cubic feet of water consumed.

Block 4 (1501+ cubic feet): ..... \$6.00 per 100 cubic feet of water consumed.

The Water General Facility Charge (GFC) was \$3,918. The GFC is charged for a new hook-up to the system.

### **C. Wastewater:**

During 2016 the local collection charge was billed \$20.65 per ERU. The Sewer General Facility Charge (GFC) was billed \$3,442 per ERU.

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

### **D. Stormwater Drainage:**

During 2016, the rate for single family residences and duplexes was \$12.58 and \$25.16 per month respectively. Accounts other than single family and duplex are charged an \$12.31 administrative fee plus \$4.63, \$9.67, and \$12.20 per billing unit of impervious surface based on the date of development.

## **NOTE 17 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFIT**

### **A. Law Enforcement and Fire Fighters Retirement System (LEOFF)**

#### Plan Description:

In addition to the pension benefits described in Note 7.B, in accordance with the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Act (RCW 41.26), the City provides certain health care benefits for retired full-time, fully compensated law enforcement officers and fire fighters who established membership in the LEOFF retirement system on or before September 30, 1977. The City's Human Resources Department, in conjunction with the City Disability Board, pays or reimburses retired LEOFF police officers and fire fighters for reasonable medical charges as described in the LEOFF Act.

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

#### Membership

A total of 68 retirees are eligible for benefits under this act. As of December 31, 2016, there were 2 active police officers and fire fighters who may become eligible for these benefits when they retire. This is considered a closed group with no new eligible members.

#### Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements. The City established the Other Post Employment Benefits Trust Fund, which is reported as a sub-fund of the General Fund and accounts for the contributions and payments related to OPEB. The City may choose to fund above the pay-as-you-go financing as resources are available.

Post employment health care benefits are paid on a pay-as-you-go basis. Expenses related to the participating retirees are remitted out the OPEB Trust Fund and totaled \$813,624.

#### Annual OPEB Costs and Net OPEB Obligations

The City's annual Other Postemployment Benefit (OPEB) cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The City's annual OPEB cost and net OPEB obligation for the current year and the related information for each plan are as follows:

<b>Schedule of Annual OPEB Cost and Net OPEB Obligation</b>			
	Fiscal Year Ending		
	12/31/2016	12/31/2016	
	Police	Fire	
ANNUAL REQUIRED CONTRIBUTIONS (ARC)			
1. Annual Normal Cost (BOY)	\$ 19,443	\$ 24,851	
2. Amortization of UAAL (BOY)	1,390,812	1,187,979	
3. Interest to EOY [(1)+(2)*i]*	49,359	42,449	
4. ARC at EOY [(1)+(2)+(3)]	\$ 1,459,614	\$ 1,255,279	
5. Interest on NOPEBO	\$131,950	\$181,772	
6. Adjustment to ARC	353,547	487,040	
7. Annual OPEB cost [(APC)] [(4)+(5)-(6)]	\$ 1,238,017	\$ 950,011	
8. Employer Contributions	467,984	345,640	
9. Change in NOPEBO [(7)-(8)]	770,033	604,371	
10. NOPEBO at BOY [(11) prior year]	\$ 3,769,995	\$ 5,193,475	
11. NOPEBO at EOY [(9)+(10)]	\$ 4,540,028	\$ 5,797,846	

\* "i" is the assumed interest rate that year: 3.50% in 2016

The City's percentage of annual OPEB costs contributed for each plan for the years ended December 31st were as follows:

<b>Law Enforcement and Firemen's Other Postemployment Benefits other than Pension</b>				
<b>Schedule of Percentage of Annual OPEB Cost Contributed</b>				
	Fiscal Year Ending	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	Net OPEB Obligation
Police	December 31, 2014	\$ 1,485,867	36%	\$ 2,747,094
	December 31, 2015	1,428,284	28	3,769,995
	December 31, 2016	1,238,017	38	4,540,028
Fire	December 31, 2014	\$ 1,098,528	42%	\$ 4,478,115
	December 31, 2015	1,047,622	32	5,193,475
	December 31, 2016	950,011	36	5,797,846

### Funding Status and Funding Progress

The City's actuarial update on the funding status for each plan is as follows:

Law Enforcement and Firemen's Other Postemployment Benefits Other Than Pension Schedule of OPEB Funding Progress (rounded to thousands)							
	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police	January 1, 2012	\$ -	\$17,573	\$17,573	- %	N/A	N/A %
	January 1, 2014	-	17,423	17,423	-	N/A	N/A
	January 1, 2016	-	14,831	14,831	-	N/A	N/A
Fire	January 1, 2012	\$ -	\$16,502	\$16,502	- %	N/A	N/A %
	January 1, 2014	-	14,059	14,059	-	N/A	N/A
	January 1, 2016	-	12,668	12,668	-	N/A	N/A

### Actuarial Procedures and Assumptions

Projections of benefits for financial reporting purposes are based on the valuation report most recently provided by Milliman, the following major assumptions and procedures were used:

Actuarial Valuation Information		
Valuation Date:	January 1, 2016	
Actuarial Cost Method:	Entry Age Normal	
Amortization Method:		
Police:	17-year, closed as of January 1, 2012	
Fire:	21-year, closed as of January 1, 2008	
Remaining Amortization Period:	13 Years	
Actuarial Assumptions		
Discount Rate::	3.50 %	
Medical and Dental Trend:	Pre-65	Post-65
2016-2017	5.6%	5.7%
2017-2018	8.8%	8.3%
2018-2019	6.5%	5.6%
2019-2020	5.7%	5.6%
2020-2021	5.6%	5.6%
2021-2022	5.5%	5.5%
2022-2024	5.4%	5.4%
2024-2036	5.3%	5.3%
Long-Term Care Inflation Rate:	4.50%	

The Annual Development of OPEB costs for each plan for the years ending December 31st, were as follows:

Schedule of Annual Development of OPEB Cost												
Fiscal Year Ending	ARC at EOY	Interest on Net OPEB Obligation	ARC Adjustment	Annual OPEB Cost	Total Employer Contributions	Change in Net OPEB Obligation	Net OPEB Obligation Balance	(Gain)/ Loss	Amort. Factor*	Amort. of (Gain)/ Loss	Ending Balance	
	(1)	(2)=[prior yr (7)] x int rate	(3)= [prior yr (7)]/ (9)	(4)= (1)+(2)-(3)	(5)	(6)=(4)-(5)	(7)=(6)+ [prior yr (7)]	(8)=(1)-(5)	(9)	(10)= [prior yr (11)] / (9)	(11)=(7)	
Police	12/31/2012	\$1,507,500	\$-	\$-	\$1,507,500	\$574,204	\$933,296	\$933,296	\$933,296	\$13	\$-	\$933,296
	12/31/2013	1,507,500	37,332	77,015	1,467,817	598,608	869,209	1,802,505	908,892	12.1184	77,015	1,802,505
	12/31/2014	1,571,813	67,594	153,540	1,485,867	541,278	944,589	2,747,094	1,030,535	11.7396	153,540	2,747,094
	12/31/2015	1,571,813	103,016	246,545	1,428,284	405,383	1,022,901	3,769,995	1,166,430	11.1424	246,545	3,769,995
	12/31/2016	1,459,614	131,950	353,547	1,238,017	467,984	770,033	4,540,028	991,630	10.6633	353,547	4,540,028
Fire	12/31/2012	\$1,395,073	\$91,909	\$181,605	\$1,305,377	\$521,725	\$783,652	\$3,081,367	\$873,348	12.6523	\$181,605	\$3,081,367
	12/31/2013	1,395,073	123,255	254,272	1,264,056	506,111	757,945	3,829,312	888,962	12.1184	254,272	3,839,312
	12/31/2014	1,281,593	143,974	327,039	1,098,528	459,725	638,803	4,478,115	821,868	11.7396	327,039	4,478,115
	12/31/2015	1,281,593	167,929	401,900	1,047,622	332,262	715,360	5,193,475	494,331	11.1424	401,900	5,193,475
	12/31/2016	1,255,279	181,772	487,040	950,011	345,640	604,371	5,797,846	909,639	10.6633	487,040	5,797,846

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

## B. AWC Benefits Trust

### 1. Trust Description

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

### 2. Funding Policy

The Trust provides established rates for the eligible retired employees and other beneficiaries. The rates are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical and/or dental benefits from the Trust contribute the following amounts:

Type of Coverage	Monthly Retiree Cost
<b>Regence &amp; Asuris HealthFirst 1000</b>	
Retiree only - Non-Medicare Coverage	\$ 734.37
Retiree & Spouse - Non-Medicare Coverage	\$ 1,475.15
Retiree with Medicare A&B (Medicare Advantage)	\$ 385.23
Retiree & Spouse with Medicare A&B (Medicare Advantage)	\$ 770.46
<b>Group Heath</b>	
Retiree only - Non-Medicare Coverage	\$ 1,218.17
Retiree & Spouse - Non-Medicare Coverage	\$ 2,400.84
Retiree with Medicare Coverage & Spouse without	\$ 1,590.61
Retiree & Spouse - with Medicare Coverage	\$ 815.88
<b>Delta Dental of Washington</b>	
Retiree only	\$ 61.54
Retiree & Spouse	\$ 125.42
Retiree & Child(ren)	\$ 124.57
Retiree & Spouse & Child(ren)	\$ 187.11

Participating Employers are not contractually required to contribute an assessed rate set each year by the Trust for non-LEOFF I retirees. The City does not contribute to the Trust on behalf of its retirees.

## NOTE 18 – BLENDED COMPONENT UNITS INCLUDED IN REPORTING ENTITY

There is one blended component unit in the city's reporting entity. During the fiscal year 2008 the City Council passed an ordinance forming the Olympia Transportation Benefit District. The Washington State RCW 36.73.020 grants cities the authority to establish a Transportation Benefit District (TBD). The Olympia TBD governing board is comprised of all the members of the Olympia City Council and therefore the management of the City of Olympia has operational responsibility of the Olympia TBD. The operations of the Olympia TBD are so closely related to those of the City that it is reported as if it were part of the primary government.

The transportation benefit districts sole purpose is to acquire, construct, improve, provide, and fund transportation improvement within the City of Olympia, which is consistent with any existing state, regional, and local transportation plan. RCW 36.73.065 gives the Olympia TBD authorization to impose taxes, fees, charges and tolls. The Olympia TBD had approved a \$20 vehicle registration fee. This fee started October 1, 2009 and is imposed on vehicles registered within the district's boundaries. In 2016, the Olympia TBD governing board approved a \$20 increase of the vehicle registration fee to a total fee of \$40, effective in 2017.

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

## NOTE 19 – ACCOUNTING AND REPORTING CHANGES, AND OTHER DISCLOSURES

### A. Adoption of the new GASB Statement 72, Fair Value Measurement and Application

Issued in 2015, the objective of this Statement is to address accounting and financial reporting issues related to fair value measurements, define fair value, provide guidance for determining fair value measurements for financial reporting purposes, and guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The notes to the financial statements were impacted by this standard, which can be seen in Note 4 - Deposits and Investments.

### B. Adoption of the new GASB Statement 79, Certain External Investment Pools and Pool Participants

Issued in 2015, the objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, the Statement establishes criteria for an external investment pool to qualify measurements of investments at amortized cost for financial reporting if the pool meets the criteria established in the Statement. The notes to the financial statements were impacted by this standard, which can be seen in Note 4 - Deposits and Investments.



### C. Future Implementation of the new GASB Statement 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pension

Issued in 2015, the primary objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions (OPEB). This Statement will be implemented in the reporting year of 2018. There will be a material impact to the City upon implementation of this Statement. At this time the related liability, deferred outflows, deferred inflows, and expenses for the OPEB plans noted in Note 17 - Post Employment Benefits Other Than Pension Benefit are not known. Current information related to the OPEB plans can be found in Note 17.

### D. New Funds:

During the fiscal year 2016 the following Funds were opened:

#### Debt Service Fund

LTGO 2016 BAN Debt Service Fund was created.

#### General Fund Sub-Fund

Other Post-Employment Benefits (OPEB) Trust Fund was reclassified from a Fiduciary Trust. The OPEB Fund did not meet the criteria of a qualified trust. Prior year financial data reported in this statement were re-stated due to this change.

### E. Calculation of Net Position, Net Investment in Capital Assets

#### Governmental Activities

Below is a schedule of the calculation of Net Position, Net Investment in Capital Assets for Governmental Activities.

Total Capital Assets - Governmental-Type Activities				\$248,650,485
<b>Governmental Funds</b>				
Total Governmental Funds Capital Assets				\$243,062,427
GO BONDS	Par Value	Outstanding 12/31/16	Proceeds Spent thru 12/31/16	Net Outstanding
2009 City Hall Bonds	\$ 35,210,000	\$ 33,700,000	\$ 35,210,000	\$ 33,700,000
2009 Fire Station Bonds	16,180,000	11,850,000	16,180,000	11,850,000
2010 HOCM Bonds	5,670,000	4,490,000	5,670,000	4,490,000
2010 Transportation Bonds	5,865,000	4,325,000	5,865,000	4,325,000
2013 Washington Center, LED, and Parks Bond	6,345,000	4,840,000	6,345,000	4,840,000
Total GO Bonds	\$ 69,270,000	\$ 59,205,000	\$ 69,270,000	\$ 59,205,000
<b>PWTFL LOANS</b>				
4th / 5th Ave. Corridor	6,721,144	1,441,509	6,721,144	1,441,509
4th / 5th Ave. Corridor	3,275,000	866,912	3,275,000	866,912
Total PWTFL Loans	9,996,144	2,308,421	9,996,144	2,308,421
<b>OTHER LOANS</b>				
State Of WA LOCAL Program Loan	1,534,496	588,503	1,466,250	588,503
U.S. HUD Department Section 108 Loan	325,000	65,000	65,000	65,000
2016 Parks BAN	10,000,000	6,096,882	6,096,882	6,096,882
Total Other Loans	11,859,496	6,750,385	7,628,132	6,750,385
<b>LID NOTES</b>				
LID #762 - Woodland Park Water	167,998	12,302	167,998	12,302
Total Other Loans	167,998	12,302	167,998	12,302
Total - Governmental Funds Debt	\$ 91,293,638	\$ 68,276,108	\$ 87,062,274	\$ 68,276,108
Net Investment in Capital Assets - Governmental Funds				\$ 174,786,319
<b>Internal Service Funds</b>				
Total Internal Service Capital Assets				5,588,058
Net Investment in Capital Assets - Internal Service Funds				\$5,588,058
Total Governmental Investment in Capital Assets				\$ 180,374,377

#### Business-Type Activities

Below is a schedule of the calculation of Net Position, Net Investment in Capital Assets for Business-Type Activities.

Total Capital Assets - Business-Type Activities				\$ 121,973,393
	Par Value	Outstanding 12/31/16	Proceeds Spent thru 12/31/16	Net Outstanding
<b>Drinking Water/Wastewater Utility</b>				
Capital Assets - Drinking Water				\$ 97,857,582
<b>ENTERPRISE REVENUE BONDS</b>				
2007 Waterworks	8,000,000	5,335,000	8,000,000	5,335,000
2010 Waterworks	6,485,000	4,995,000	6,485,000	4,995,000
2013 Waterworks	8,443,094	5,725,000	8,443,094	5,725,000
Total Enterprise Revenue Bonds	22,928,094	16,055,000	22,928,094	16,055,000
<b>PWTFL LOANS</b>				
Sleater-Kinney Sewer	1,808,375	1,103,355	1,724,045	1,103,355
Total PWTFL Loans	1,808,375	1,103,355	1,724,045	1,103,355
<b>OTHER LOANS</b>				
Department of Ecology - Septic Assistance	250,000	85,885	97,853	85,885
DWSRF McAllister Wellfield Development	6,060,000	5,120,340	5,462,232	5,120,340
DWSRF McAllister Wellfield Transmission Pipe	4,811,640	4,330,476	4,678,985	4,330,476
DWSRF SE Olympia Reservoir Loan	11,983,650	1,626,341	1,626,341	1,626,341
DWSRF McAllister Wellfield Corrosion Control Facility	4,058,632	130,149	130,149	130,149
DWSRF Fones Road Booster Pump Stations	1,931,982	360,609	360,609	360,609
Total OTHER Loans	29,095,904	11,653,800	12,356,169	11,653,800
Total - Drinking Water/Wastewater Utility Debt	53,832,373	28,812,155		28,812,155
Net Investment in Capital Assets - Drinking Water/Wastewater Utility				\$ 69,045,427
<b>Storm and Surface Water Utility</b>				
Capital Assets - Storm and Surface Water				\$ 23,800,762
<b>PWTFL LOANS</b>				
State Of WA Public Works Board	1,214,018	927,033	1,214,018	927,033
Total PWTFL Loans	1,214,018	927,033	1,214,018	927,033
<b>OTHER LOANS</b>				
Department of Ecology - State Ave. Stormwater Retrofit	619,485	618,206	619,485	618,206
Total PWTFL Loans	619,485	618,206	619,485	618,206
Total - Storm and Surface Water Utility Debt	1,833,503	1,545,239		1,545,239
Net Investment in Capital Assets - Storm and Surface Water Utility				\$ 22,255,523
<b>Waste Resources Utility</b>				
Capital Assets - Waste ReSources				315,049
Total - Waste ReSources Utility Debt	-	-		-
Net Investment in Capital Assets - Waste ReSources Utility				315,049
<b>Total for All Utilities</b>	<b>\$ 55,665,876</b>	<b>\$ 30,357,394</b>		<b>\$ 30,357,394</b>
<b>Capital Assets Net of Related Debt</b>				<b>\$ 91,615,999</b>

#### NOTE 20 – SUBSEQUENT EVENTS

In February 2017, the City transferred properties related to McAllister Springs to the Nisqually Tribe. The Springs had been the City's main supply of drinking water from 1949 until early 2015 when the City transitioned its water source to the more protected McAllister Wellfield. The transfer includes four parcels totaling approximately 177 acres, returning the property to its original owners. The Tribe's assumption of the property releases the City of on-going costs and liabilities associated with the maintenance of the properties, costs borne by the Drinking Water Utility rate payers. The Tribe also agrees to ensure permanent protection of the property and grant the City access for environmental education purposes.

The City will recognize the transfer of the assets related to the properties in 2017. As of December 31, 2016 related assets were recorded at an asset value of \$2,470,937, accumulated depreciation of \$2,443,288, for a total Net Capital Asset value of \$27,649.

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund  
For Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$45,754,816	\$47,831,596	\$47,856,030	\$24,434
Licenses and Permits	3,813,711	4,067,311	4,309,935	242,624
Intergovernmental Revenues	1,948,554	3,567,142	2,780,391	(786,751)
Charges for Services	14,482,509	14,940,733	14,889,227	(51,506)
Fines and Forfeits	979,950	979,950	970,529	(9,421)
Miscellaneous Revenues	2,498,607	2,947,410	3,413,797	466,387
Total Revenues	69,478,147	74,334,142	74,219,909	(114,233)
EXPENDITURES				
Current:				
General Government Services	23,147,715	30,514,278	24,198,017	(6,316,261)
Security of Persons & Property	33,188,011	35,593,615	34,789,193	(804,422)
Transportation	4,241,957	4,414,730	3,978,424	(436,306)
Economic Environment	3,856,106	6,122,652	5,196,983	(925,669)
Mental and Physical Health	101,310	101,310	111,686	10,376
Culture and Recreation	5,464,834	6,012,824	5,559,040	(453,784)
Debt Service:				
Interest	-	-	25	25
Capital Outlays	197,500	1,257,850	412,724	(845,126)
Total Expenditures	70,197,433	84,017,259	74,246,092	(9,771,167)
Excess (Deficiency) of Revenues over Expenditures	(719,286)	(9,683,117)	(26,183)	9,656,934
OTHER FINANCING SOURCES (USES)				
Transfers - In	4,898,176	4,717,642	1,953,960	(2,763,682)
Transfers - Out	(4,400,238)	(5,214,786)	(1,915,603)	3,299,183
Sale of Capital Assets	15,000	52,400	70,226	17,826
Total Other Financing Sources (Uses)	512,938	(444,744)	108,583	553,327
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(206,348)	(10,127,861)	82,400	10,210,261
FUND BALANCE JANUARY 1	19,120,979	19,120,979	19,120,979	-
FUND BALANCE DECEMBER 31	\$18,914,631	\$8,993,118	\$19,203,379	\$10,210,261

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

The City's budget preparation conforms to Generally Accepted Accounting Principles by using a modified accrual basis for preparing the operating budgets of the general government, proprietary, and fiduciary funds.

### Multiple Employer Plan

The Required Supplementary Information related to the Multiple Employer Plans provides detailed disclosures related to GASB Statement 68. During the reporting year of 2016, the City of Olympia's Statement of Net Position reported the required Pension information as a result of GASB Statement 68. The following charts reflect these statements.

As of June 30, 2016, the Plan's fiscal year end, the City of Olympia reported the following Proportionate Share of the Net Pension Liability/(Asset):

#### Schedule of Proportionate Share of the Net Pension Liability - PERS Plan 1

For Year Ended June 30, 2016\*

	2015	2016
City of Olympia's proportion of the net pension liability/(asset)	0.231015%	0.244414%
City of Olympia's proportionate share of the net pension liability/(asset)	\$12,084,233	\$13,126,183
City of Olympia's covered employee payroll	\$25,897,212	\$28,612,035
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	46.66%	45.88%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%

\*This Schedule is to be built prospectively until it contains ten years of data and represents the plans' fiscal year end.

#### Schedule of Proportionate Share of the Net Pension Liability - PERS Plan 2/3

For Year Ended June 30, 2016\*

	2015	2016
City of Olympia's proportion of the net pension liability/(asset)	0.276999%	0.290972%
City of Olympia's proportionate share of the net pension liability/(asset)	\$9,897,332	\$14,650,210
City of Olympia's covered employee payroll	\$24,578,585	\$27,169,982
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	40.27%	53.92%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%

\*This Schedule is to be built prospectively until it contains ten years of data and represents the plans' fiscal year end.

#### Schedule of Proportionate Share of the Net Pension Liability - PSERS Plan 2

For Year Ended June 30, 2016\*

	2015	2016
City of Olympia's proportion of the net pension liability/(asset)	0.290827%	0.294818%
City of Olympia's proportionate share of the net pension liability/(asset)	\$53,082	\$125,292
City of Olympia's covered employee payroll	\$851,537	\$955,706
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	6.23%	13.11%
Plan fiduciary net position as a percentage of the total pension liability	95.08%	90.41%

\*This Schedule is to be built prospectively until it contains ten years of data and represents the plans' fiscal year end.

#### Schedule of Proportionate Share of the Net Pension Liability - LEOFF Plan 1

For Year Ended June 30, 2016\*

	2015	2016
City of Olympia's proportion of the net pension liability/(asset)	0.135558%	0.133879%
City of Olympia's proportionate share of the net pension liability/(asset)	\$(1,633,773)	\$(1,379,337)
City of Olympia's covered employee payroll	\$264,409	\$284,582
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	-617.90%	-484.69%
Plan fiduciary net position as a percentage of the total pension liability	127.36%	123.74%

\*This Schedule is to be built prospectively until it contains ten years of data and represents the plans' fiscal year end.

#### Schedule of Proportionate Share of the Net Pension Liability - LEOFF Plan 2

For Year Ended June 30, 2016\*

	2015	2016
City of Olympia's proportion of the net pension liability/(asset)	0.563046%	0.586922%
City of Olympia's proportionate share of the net pension liability/(asset)	\$(5,786,987)	\$(3,413,714)
State's proportionate share of the net pension liability/(asset) associated with the City of Olympia	\$(3,826,358)	\$(2,225,493)
<b>TOTAL</b>	<b>\$(9,613,345)</b>	<b>\$(5,639,207)</b>
City of Olympia's covered employee payroll	\$16,341,808	\$17,780,306
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	-58.83%	-31.72%
Plan fiduciary net position as a percentage of the total pension liability	111.67%	106.04%

\*This Schedule is to be built prospectively until it contains ten years of data and represents the plans' fiscal year end.

As of December 31, 2016, the City's fiscal year end, the City of Olympia reported the following Contributions to the plans:

**Schedule of Employer Contributions - PERS Plan 1**

**As of December 31, 2016\***

	2015	2016
Statutorily or contractually required contributions	\$1,200,043	\$1,371,444
Contributions in relation to the statutorily or contractually required contributions	\$1,200,043	\$1,371,444
Contribution deficiency (excess)	\$-	\$-
Covered employer payroll	\$26,725,993	\$28,150,217
Contributions as a percentage of covered employee payroll	4.49%	4.87%

\*This Schedule is to be built prospectively until it contains ten years of data.

**Schedule of Employer Contributions - PERS Plan 2/3**

**As of December 31, 2016\***

	2015	2016
Statutorily or contractually required contributions	\$1,474,478	\$1,712,423
Contributions in relation to the statutorily or contractually required contributions	\$1,474,478	\$1,712,423
Contribution deficiency (excess)	\$-	\$-
Covered employer payroll	\$25,358,818	\$26,715,765
Contributions as a percentage of covered employee payroll	5.81%	6.41%

\*This Schedule is to be built prospectively until it contains ten years of data.

**Schedule of Employer Contributions - PSERS Plan 2**

**As of December 31, 2016\***

	2015	2016
Statutorily or contractually required contributions	\$59,665	\$66,737
Contributions in relation to the statutorily or contractually required contributions	\$59,665	\$66,737
Contribution deficiency (excess)	\$-	\$-
Covered employer payroll	\$896,384	\$985,806
Contributions as a percentage of covered employee payroll	6.66%	6.77%

\*This Schedule is to be built prospectively until it contains ten years of data.

**Schedule of Employer Contributions - LEOFF Plan 1**

**As of December 31, 2016\***

	2015	2016
Statutorily or contractually required contributions	\$484	\$501
Contributions in relation to the statutorily or contractually required contributions	\$484	\$501
Contribution deficiency (excess)	\$-	\$-
Covered employer payroll	\$268,648	\$278,028
Contributions as a percentage of covered employee payroll	0.18%	0.18%

\*This Schedule is to be built prospectively until it contains ten years of data.

**Schedule of Employer Contributions - LEOFF Plan 2**

**As of December 31, 2016\***

	2015	2016
Statutorily or contractually required contributions	\$868,339	\$921,634
Contributions in relation to the statutorily or contractually required contributions	\$868,339	\$921,634
Contribution deficiency (excess)	\$-	\$-
Covered employer payroll	\$16,603,052	\$17,622,064
Contributions as a percentage of covered employee payroll	5.23%	5.23%

\*This Schedule is to be built prospectively until it contains ten years of data.

## Firemens' Pension Plan

The Required Supplementary Information related to the Firemens' Pension Fund Plan provides detailed disclosures related to GASB Statements 67 and 68. During the reporting year of 2016, the City of Olympia's Statement of Net Position reported the required Net Pension Liability as a result of GASB 67 and 68. The following charts reflect these statements.

As of January 1, 2016, the most recent actuarial evaluation date, the changes in net pension liability and related ratios was as follows:

Firemens' Pension Fund Plan - Schedule of Changes in Net Pension Liability and Related Ratios (Dollar amounts in thousands) Fiscal Year Ending December 31,			
	2016	2015	2014
<b>Total Pension Liability</b>			
Interest on Total Pension Liability	\$ 198	\$ 187	\$ 191
Effect of Economic/Demographic Gains/(Losses)	-	(171)	-
Effect of Assumption Changes/Inputs	(147)	602	135
Benefit Payments	(326)	(294)	(277)
<b>Net Change in Total Pension Liability</b>	<b>(275)</b>	<b>324</b>	<b>49</b>
<b>Total Pension Liability, Beginning</b>	<b>5,824</b>	<b>5,500</b>	<b>5,451</b>
<b>Total Pension Liability, Ending (a)</b>	<b>\$ 5,549</b>	<b>\$ 5,824</b>	<b>\$ 5,500</b>
<b>Fiduciary Net Position</b>			
Employer Contributions	\$ 100	\$ 154	\$ 1,077
Contributions from State Fire Insurance Premium Tax	92	91	91
Net Investment Income	44	3	15
Benefit Payments	(326)	(294)	(277)
Medical Payment from Fund	-	-	(460)
Administrative Expenses	(12)	(1)	(24)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(103)</b>	<b>(47)</b>	<b>422</b>
<b>Fiduciary Net Position, Beginning</b>	<b>4,783</b>	<b>4,830</b>	<b>4,408</b>
<b>Fiduciary Net Position, Ending (b)</b>	<b>\$ 4,680</b>	<b>\$ 4,783</b>	<b>\$ 4,830</b>
Net Pension Liability, ending = (a) - (b)	\$ 869	\$ 1,041	\$ 670
Fiduciary Net Position as a Percentage of Total Pension Liability	84.34%	82.13%	87.82%
Covered Payroll	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A

### Notes to Schedule:

Changes in Assumptions: In 2015, amounts reported as "Effects of Assumption Changes/Inputs" resulted primarily from the changes in assumptions for future mortality as a result of increased life expectancies.

In 2014, amounts reported as "Effects of Assumption Changes/Inputs" resulted primarily from the decrease of 0.25% in the discount rate between the valuation date and the fiscal year end.

As of January 1, 2016, the most recent actuarial evaluation date, the employer contributions to the actuarially determined contributions was as follows:

Firemens' Pension Plan - Schedule of Contributions Last 10 Fiscal Years					
Fiscal Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2007	\$265,606	\$494,790	\$(229,184)	\$ -	N/A
2008	246,881	496,028	(249,147)	-	N/A
2009	246,881	507,153	(260,272)	-	N/A
2010	203,183	535,665	(332,482)	-	N/A
2011	203,183	304,163	(100,980)	-	N/A
2012	119,273	591,221	(471,948)	-	N/A
2013	119,273	666,742	(547,469)	-	N/A
2014	475,000	707,924	(232,924)	-	N/A
2015	119,000	244,818	(125,818)	-	N/A
2016	252,000	191,883	60,117	-	N/A

**Notes to Schedule:**

\*Employer contributions for pensions are total contributions to the Fund net of disbursements from the fund for medical expenses under RCW 41.26.150. It includes revenues from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer contributions.

Actuarial Valuation Information:	
Valuation Date:	January 1, 2016
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	30-year, closed as of January 1, 1999
Remaining Amortization Period:	13 Years
Asset Valuation Method:	Fair market value

Actuarial Assumptions	
Investment Rate of Return:	3.50%
Projected Salary Increases:	3.25%
Inflation:	2.25%
Age of Retirement:	65
Cost-of-living Adjustments:	Based upon salary increase assumption when appropriate.
Long-Term Expected Rate of Return	3.50%
Discount Rate	3.50%
Mortality	RP-2000 Mortality Table, projected to 2019 using 50% of Projection Scale AA, adjusted one year back and forward for males and females respectively.

Firemens' Pension Fund Plan - Schedule of Investment Returns - Last 3 Fiscal Years			
	2014	2015	2016
Annual Money-Weighted Rate of Return, net of investment expense	0.31%	0.05%	0.93%

**Law Enforcement and Fire Fighters Retirement System (LEOFF), Post-employment Benefits Other Than Pensions**

As of January 1, 2016, the most recent actuarial valuation date, the funded status of the plan was as follows:

**Law Enforcement and Firemen's Other Postemployment Benefits Other Than Pension  
Schedule of OPEB Funding Progress (rounded to thousands)**

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police *	January 1, 2012	\$ -	\$17,573	\$17,573	- %	N/A	N/A %
	January 1, 2014	-	17,423	17,423	-	N/A	N/A
	January 1, 2016	-	14,831	14,831	-	N/A	N/A
Fire	January 1, 2012	\$ -	\$16,502	\$16,502	- %	N/A	N/A %
	January 1, 2014	-	14,059	14,059	-	N/A	N/A
	January 1, 2016	-	12,668	12,668	-	N/A	N/A

As of January 1, 2016, the most recent actuarial valuation date, the employer contributions for each plan was as follows:

**Law Enforcement and Firemen's Other Postemployment Benefits other than Pension  
Schedule of Percentage of Annual OPEB Cost Contributed**

	Fiscal Year Ending	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	Net OPEB Obligation
Police	December 31, 2014	\$1,485,867	36%	\$2,747,094
	December 31, 2015	1,428,284	28	3,769,995
	December 31, 2016	1,238,017	38	4,540,028
Fire	December 31, 2014	\$1,098,528	42%	\$4,478,115
	December 31, 2015	1,047,622	32	5,193,475
	December 31, 2016	950,011	36	5,797,846

The City of Olympia contracts with Milliman for the actuarial valuation of its OPEB. In the valuation report most recently provided by Milliman, the following major assumptions and procedures were used:

**Actuarial Valuation Information**

Valuation Date:	January 1, 2016
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	
Police:	17-year, closed as of January 1, 2012
Fire:	21-year, closed as of January 1, 2008
Remaining Amortization Period:	13 Years

**Actuarial Assumptions**

Discount Rate:	3.50%	
Medical and Dental Trend:	Pre-65	Post-65
2016-2017	5.6%	5.7%
2017-2018	8.8%	8.3%
2018-2019	6.5%	5.6%
2019-2020	5.7%	5.6%
2020-2021	5.6%	5.6%
2021-2022	5.5%	5.5%
2022-2024	5.4%	5.4%
2024-2036	5.3%	5.3%
Long-Term Care Inflation Rate:	4.50%	



**City of Olympia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
<b>Child Nutrition Cluster</b>							
Food And Nutrition Service, Department Of Agriculture (via Office of Superintendent of Public Instructions)	Summer Food Service Program for Children	10.559	2016 SFSP	18,032	-	18,032	1, 2, 6
				<b>18,032</b>	-	<b>18,032</b>	
<b>CDBG - Entitlement Grants Cluster</b>							
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B10MC530012	-	53,148	53,148	1, 2, 3, 6
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B13MC530012	-	105,236	105,236	1, 2, 3, 6
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B14MC530012	-	51,012	51,012	1, 2, 3, 6
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MC530012	-	368,896	368,896	1, 2, 3, 6
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B16MC530012	-	44,040	44,040	1, 2, 3, 6
				<b>Total CDBG - Entitlement Grants Cluster:</b>	<b>622,333</b>	<b>622,333</b>	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants, Section 108 Loan Guarantees	14.248	B11-MC-53-0012	-	95,775	95,775	1, 2, 4, 6
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	2015BUBX15077 946	-	1,858	1,858	1, 2, 6
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	2014BUBX14075 016	-	761	761	1, 2, 6
				<b>Total CFDA 16.607:</b>	<b>2,618</b>	<b>2,618</b>	
Bureau Of Justice Assistance, Department Of Justice (via Center for Court Innovation)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DC-NY- K002 / (1654B)	40,721	-	40,721	1, 2, 6

The accompanying notes are an integral part of this schedule.

Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16,738	2015-DJ-BX-0325	-	11,041	11,041	-	1, 2, 6
<b>Highway Planning and Construction Cluster</b>								
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20,205	HSIP- 5282(005)/LA 8667 / (1547G)	10,735	-	10,735	-	1, 2, 6
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20,205	SRTS-5320(004) / LA8037/ (1032G)	526,986	-	526,986	-	1, 2, 6
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20,205	SRTS - 0920 (010) / LA8797 / (1605G)	24,350	-	24,350	-	1, 2, 6
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20,205	STPIUS- 5253(003) / LA 8117 / (1340G)	127,068	-	127,068	-	1, 2, 6
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20,205	CM-0920(008) / LA 8127 / (1304G)	13,121	-	13,121	-	1, 2, 6
<b>Total Highway Planning and Construction Cluster:</b>				<b>702,260</b>	-	<b>702,260</b>	-	
<b>Highway Safety Cluster</b>								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State Department of Transportation, WA Traffic Safety Commission)	State and Community Highway Safety	20,600	Target Zero 15/16	9,452	-	9,452	-	1, 2, 6
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State Department of Transportation, WA Traffic Safety Commission)	State and Community Highway Safety	20,600	Target Zero 16/17	983	-	983	-	1, 2, 6
<b>Total Highway Safety Cluster:</b>				<b>10,434</b>	-	<b>10,434</b>	-	
Region 10, Environmental Protection Agency (via WA State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66,123	G-1400449 / (1408M)	20,646	-	20,646	-	1, 2, 6
<b>Drinking Water State Revolving Fund Cluster</b>								
Office Of Water, Environmental Protection Agency (via WA State Department of Commerce/WA State Public Works Board)	Capitalization Grants for Drinking Water State Revolving Funds	66,468	DM13-952-188 / (1240P)	145,957	-	145,957	-	1, 2, 5, 6

The accompanying notes are an integral part of this schedule.

Office Of Water, Environmental Protection Agency (via WA State Department of Commerce/WA State Public Works Board)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM16-952-045 / (1426P)	223,728	-	223,728	-	1, 2, 5, 6
Office Of Water, Environmental Protection Agency (via WA State Department of Commerce/WA State Public Works Board)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM16-952-042 / (1207P)	2,801	-	2,801	-	1, 2, 5, 6
<b>Total Drinking Water State Revolving Fund Cluster:</b>				<b>372,486</b>	<b>-</b>	<b>372,486</b>	<b>-</b>	
Office Of Solid Waste And Emergency Response, Environmental Protection Agency (via WA State Department of Ecology)	State and Tribal Response Program Grants	66.817	C1600140 / (CH39 & 1640B)	136,732	-	136,732	-	1, 2, 6
Department Of Homeland Security (via WA State Military Department)	Emergency Management Performance Grants	97.042	E17-060	14,627	-	14,627	-	1, 2, 6
Department Of Homeland Security (via WA State Military Department)	Homeland Security Grant Program	97.067	E15-103	921	-	921	-	1, 2, 6
<b>Total Federal Awards Expended:</b>				<b>1,316,859</b>	<b>731,767</b>	<b>2,048,626</b>	<b>-</b>	

CITY OF OLYMPIA, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2016**

**NOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting for governmental funds and full accrual basis for proprietary funds.

**NOTE 2 - PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – H.U.D. COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

Prior to 2014, the City utilized a revolving loan style program for low income housing renovation, of which CDBG Program Income was utilized for funding of the new loans. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. Beginning the second quarter of 2014, the City no longer offered these loans resulting in a change of program income and use reporting. In 2016 the City expended \$77,376.66 in current year program income, \$181,098.64 in prior program income, and \$363,857.33 in CDBG Entitlement Funds. The City is on the additive method of reporting with HUD therefore these amounts are reported as additions to the authorized grant amounts. During 2016 the City expended CDBG Entitlement Funds in the amount of \$622,332.63, which is reported on this schedule.

**NOTE 4 – H.U.D. COMMUNITY DEVELOPMENT BLOCK GRANT SECTION 108 LOAN GUARANTEES**

The City of Olympia was approved by the U.S. Department of H.U.D. to receive a loan in the amount of \$325,000 for Downtown Safety Improvement Projects. The amount, \$95,775, listed in this schedule is for the expenditures of the reporting year. The City has expended a total of \$309,663, including the amount listed on this schedule and prior year expenditures and has reported the outstanding loan balance on the City of Olympia's Schedule of Liabilities.

**NOTE 5 – FEDERAL LOANS**

The City of Olympia was approved by the Federal Environmental Protection Agency (EPA), Washington State Department of Commerce (DOC), and the Washington State Public Works Board (PWB) to receive a loan totaling \$11,983,650 for the construction of a water reservoir for the drinking water system. The amount, \$145,956.99, listed in this schedule is for the federal portion of expenditures for the reporting year.

The City of Olympia was approved by the Federal EPA, Washington State DOC, and the Washington State PWB to receive a loan totaling \$1,931,982 for the construction of a booster pump station for the drinking water system. The amount, \$223,727.87, listed in this schedule is for the federal portion of expenditures for the reporting year.

The City of Olympia was approved by the Federal EPA, Washington State DOC, and the Washington State PWB to receive a loan totaling \$4,058,632 for the construction of a corrosion control facility for the drinking water system. The amount, \$2,800.96, listed in this schedule is for the federal portion of expenditures for the reporting year.

**NOTE 6 – INDIRECT COST RATE**

The City of Olympia has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**City of Olympia  
Thurston County  
January 1, 2016 through December 31, 2016**

This schedule presents the corrective action planned by the auditee for findings reported in this report 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). The information in this schedule is the representation of the City of Olympia.

<b>Finding ref number:</b> 2016-001	<b>Finding caption:</b> The City did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.
<b>Name, address, and telephone of auditee contact person:</b> Stacie Tellers, Acting Accounting Supervisor 601 4 <sup>th</sup> Avenue East Olympia, WA 98507 (360) 753-8599	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The City will include in its subrecipient monitoring process and procedures checklist a review of the suspension and debarment of our subrecipient's vendors, contractors, and subrecipients. The City's CDBG Performance Agreement, Debarment Certification, will reflect the subrecipients agreement to submit the subrecipients roster of subrecipients and vendors for review of suspension and debarment.</i>	
<b>Anticipated date to complete the corrective action:</b> The City will work on implementation of agreement language with the CDBG Program Year 2017 (September 1, 2017 – August 31, 2018) contracts. The process and procedures documents will be updated in 2017.	

## 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.

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Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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Toll-free Citizen Hotline	(866) 902-3900
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