



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

City of Puyallup

Pierce County

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

Published September 25, 2017

Report No. 1019935





Office of the Washington State Auditor
Pat McCarthy

September 25, 2017

Mayor and City Council
City of Puyallup
Puyallup, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Puyallup'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

TABLE OF CONTENTS

Schedule Of Findings And Questioned Costs.....	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance In Accordance With The Uniform Guidance	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	16
About The State Auditor’s Office.....	42

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Puyallup
Pierce County
January 1, 2016 through December 31, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Puyallup 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 City’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation of all funds with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs:

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

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

**City of Puyallup
Pierce County
January 1, 2016 through December 31, 2016**

Mayor and City Council
City of Puyallup
Puyallup, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Puyallup, Pierce 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 financial statements, and have issued our report thereon dated September 18, 2017. As discussed in Note 7 to the financial statements, the City elected to change its basis of accounting from generally accepted accounting principles to a special purpose framework during the year ended December 31, 2016.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly legible.

Pat McCarthy

State Auditor

Olympia, WA

September 18, 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 Puyallup
Pierce County
January 1, 2016 through December 31, 2016**

Mayor and City Council
City of Puyallup
Puyallup, Washington

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

We have audited the compliance of the City of Puyallup, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 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.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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


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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies

in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

A handwritten signature in black ink that reads "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 Puyallup Pierce County January 1, 2016 through December 31, 2016

Mayor and City Council
City of Puyallup
Puyallup, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Puyallup, Pierce County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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.

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Puyallup has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Puyallup, for the year ended December 31, 2016, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Puyallup, as of December 31, 2016, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Matters of Emphasis

As discussed in Note 7 to the financial statements, the City has elected to change its method of accounting from generally accepted accounting principles to a special purpose framework during the year ended December 31, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. 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). The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 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.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

September 18, 2017

FINANCIAL SECTION

**City of Puyallup
Pierce County
January 1, 2016 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

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

City of Puyallup
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 GENERAL FUND	115 SEIZURE AND FORFEITURE	141 MOTEL TAX
Beginning Cash and Investments					
30810	Reserved	4,605,429	-	-	-
30880	Unreserved	39,026,548	3,784,338	673,107	2,438,840
388 / 588	Prior Period Adjustments, Net	(484,545)	682,197	(10,095)	(130,247)
Revenues					
310	Taxes	37,951,647	33,454,828	-	1,260,245
320	Licenses and Permits	1,862,407	1,842,246	-	-
330	Intergovernmental Revenues	6,413,510	1,171,897	-	-
340	Charges for Goods and Services	43,574,768	3,040,102	-	-
350	Fines and Penalties	3,648,348	3,508,216	-	-
360	Miscellaneous Revenues	2,994,784	339,995	20,425	5,198
Total Revenues:		96,445,464	43,357,284	20,425	1,265,443
Expenditures					
510	General Government	16,754,078	4,286,791	-	-
520	Public Safety	20,575,536	17,698,117	38,156	-
530	Utilities	15,442,390	362,657	-	-
540	Transportation	5,309,743	1,647,530	-	-
550	Natural and Economic Environment	3,286,646	2,652,128	-	548,964
560	Social Services	650,473	650,473	-	-
570	Culture and Recreation	6,617,668	6,197,600	-	-
Total Expenditures:		68,636,534	33,495,296	38,156	548,964
Excess (Deficiency) Revenues over Expenditures:		27,808,930	9,861,988	(17,731)	716,479
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	3,104,996	-	-	-
397	Transfers-In	12,614,071	102,300	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	31,074	21,214	-	-
381, 395, 398	Other Resources	4,421,822	-	-	-
Total Other Increases in Fund Resources:		20,171,963	123,514	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	14,434,994	149,154	9,086	-
591-593, 599	Debt Service	13,629,889	-	-	-
597	Transfers-Out	12,664,071	9,066,131	70,000	202,196
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	1,358	358	-	-
581	Other Uses	2,184,251	-	-	-
Total Other Decreases in Fund Resources:		42,914,563	9,215,643	79,086	202,196
Increase (Decrease) in Cash and Investments:		5,066,330	769,859	(96,817)	514,283
Ending Cash and Investments					
5081000	Reserved	9,727,221	119,766	566,194	2,822,875
5088000	Unreserved	38,486,574	5,116,655	-	-
Total Ending Cash and Investments		48,213,795	5,236,421	566,194	2,822,875

The accompanying notes are an integral part of this statement.

City of Puyallup
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		161 TRIAL COURT IMPROVEMENT	171 LIFT GRANT	180 1ST 1/4% REAL ESTATE EXCISE TAX	190 2ND 1/4% REAL ESTATE EXCISE TAX
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	8,825	1,897,272	1,251	6,070
388 / 588	Prior Period Adjustments, Net	-	-	-	-
Revenues					
310	Taxes	-	-	1,065,205	1,065,205
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	23,570	1,000,000	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	40	2,751	357	365
Total Revenues:		23,610	1,002,751	1,065,562	1,065,570
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		23,610	1,002,751	1,065,562	1,065,570
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	32,300	22,483	579,873	579,873
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		32,300	22,483	579,873	579,873
Increase (Decrease) in Cash and Investments:		(8,690)	980,268	485,689	485,697
Ending Cash and Investments					
5081000	Reserved	135	2,877,540	486,940	491,767
5088000	Unreserved	-	-	-	-
Total Ending Cash and Investments		135	2,877,540	486,940	491,767

City of Puyallup
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		204 2009 REVENUE BONDS	205 2003 TRUST FUND LOAN	206 2003 LTGO BONDS	214 LID 96-1
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	18,044	4,655	16,707	22,297
388 / 588	Prior Period Adjustments, Net	(12)	-	-	(241)
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	53	9	33	4
Total Revenues:		53	9	33	4
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		53	9	33	4
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	18,339	340,297	204,637	84,063
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		18,339	340,297	204,637	84,063
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	18,239	340,295	204,636	106,123
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		18,239	340,295	204,636	106,123
Increase (Decrease) in Cash and Investments:		153	11	34	(22,056)
Ending Cash and Investments					
5081000	Reserved	-	-	-	-
5088000	Unreserved	18,186	4,665	16,740	-
Total Ending Cash and Investments		18,186	4,665	16,740	-

City of Puyallup
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		216 2013 UTGO BONDS	217 2012 LTGO BONDS	218 2007/2013/2014 LTGO BONDS	219 2008/2015 LTGO BONDS
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	111,307	23,227	56,751	122,702
388 / 588	Prior Period Adjustments, Net	(425)	(425)	(1,187)	(760)
Revenues					
310	Taxes	742,382	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	705	520	807	37
Total Revenues:		743,087	520	807	37
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		743,087	520	807	37
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	992,325	1,558,295	720,718
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	992,325	1,558,295	720,718
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	776,356	991,325	1,597,077	719,717
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		776,356	991,325	1,597,077	719,717
Increase (Decrease) in Cash and Investments:		(33,269)	1,520	(37,975)	1,038
Ending Cash and Investments					
5081000	Reserved	77,612	-	-	-
5088000	Unreserved	-	24,322	17,589	122,980
Total Ending Cash and Investments		77,612	24,322	17,589	122,980

City of Puyallup
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		221 2015 VAN LIEROP PROPERTY	263 LID GUARANTY	306 PARKS CAPITAL IMPROVEMENT	321 CIVIC CENTER
Beginning Cash and Investments					
30810	Reserved	-	-	-	-
30880	Unreserved	-	32,251	744,999	49,071
388 / 588	Prior Period Adjustments, Net	-	-	11,392	-
Revenues					
310	Taxes	-	-	363,782	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	500	-
340	Charges for Goods and Services	-	-	303,640	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	-	-	2,726	606
Total Revenues:		-	-	670,648	606
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	105,560	-
Total Expenditures:		-	-	105,560	-
Excess (Deficiency) Revenues over Expenditures:		-	-	565,088	606
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,000,000	-	10,000	600,000
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	1,204,356	871,283
Total Other Increases in Fund Resources:		1,000,000	-	1,214,356	1,471,283
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	385,176	1,000,000
591-593, 599	Debt Service	1,000,000	-	-	1,013
597	Transfers-Out	-	32,250	1,000,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	400,000
Total Other Decreases in Fund Resources:		1,000,000	32,250	1,385,176	1,401,013
Increase (Decrease) in Cash and Investments:		-	(32,250)	394,268	70,876
Ending Cash and Investments					
5081000	Reserved	-	-	1,150,658	-
5088000	Unreserved	-	-	-	119,948
Total Ending Cash and Investments		-	-	1,150,658	119,948

City of Puyallup
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		330 STREET	401 SANITATION	411 WATER	412 WASTEWATER
Beginning Cash and Investments					
30810	Reserved	-	222,195	1,904,174	1,953,854
30880	Unreserved	696,370	-	1,862,029	10,605,773
388 / 588	Prior Period Adjustments, Net	308,487	(25,405)	(390,207)	(1,557,161)
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	19,625	536
330	Intergovernmental Revenues	3,013,275	-	-	32,058
340	Charges for Goods and Services	1,519,883	428,720	5,624,134	10,121,450
350	Fines and Penalties	-	4,120	37,179	75,264
360	Miscellaneous Revenues	8,729	635	542,024	1,005,490
Total Revenues:		4,541,887	433,475	6,222,962	11,234,798
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	4,357,148	6,693,476
540	Transportation	2,370,043	-	-	-
550	Natural and Economic Environment	-	85,554	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		2,370,043	85,554	4,357,148	6,693,476
Excess (Deficiency) Revenues over Expenditures:		2,171,844	347,921	1,865,814	4,541,322
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	142,723	-	-	2,962,273
397	Transfers-In	6,583,414	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	2,395	1,069
381, 395, 398	Other Resources	10,100	-	-	2,184,251
Total Other Increases in Fund Resources:		6,736,237	-	2,395	5,147,593
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,516,645	-	1,674,979	3,643,162
591-593, 599	Debt Service	64,590	326,869	542,700	5,432,142
597	Transfers-Out	1,061,015	-	-	13,975
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	1,000	-
581	Other Uses	1,784,251	-	-	-
Total Other Decreases in Fund Resources:		6,426,501	326,869	2,218,679	9,089,279
Increase (Decrease) in Cash and Investments:		2,481,580	21,052	(350,470)	599,636
Ending Cash and Investments					
5081000	Reserved	119,229	133,903	99,893	708,920
5088000	Unreserved	3,367,211	83,940	2,925,631	10,893,180
Total Ending Cash and Investments		3,486,440	217,843	3,025,524	11,602,100

City of Puyallup
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		422 STORM AND SURFACE WATER	430 PIONEER PARK PAVILION	501 EQUIPMENT RENTAL	502 INSURANCE
Beginning Cash and Investments					
30810	Reserved	506,967	-	18,239	-
30880	Unreserved	8,943,963	85,946	1,976,830	913,769
388 / 588	Prior Period Adjustments, Net	(80,561)	(2,642)	(174,181)	(38,388)
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	466,813	-	-	-
340	Charges for Goods and Services	4,483,874	-	2,125,253	1,866,367
350	Fines and Penalties	23,569	-	-	-
360	Miscellaneous Revenues	546,213	301,381	4,166	2,367
Total Revenues:		5,520,469	301,381	2,129,419	1,868,734
Expenditures					
510	General Government	-	-	-	1,675,050
520	Public Safety	-	-	-	-
530	Utilities	4,029,109	-	-	-
540	Transportation	-	-	1,292,170	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	314,508	-	-
Total Expenditures:		4,029,109	314,508	1,292,170	1,675,050
Excess (Deficiency) Revenues over Expenditures:		1,491,360	(13,127)	837,249	193,684
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	230,384	169,299	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	20	2,938	74	82
381, 395, 398	Other Resources	-	-	108,327	43,505
Total Other Increases in Fund Resources:		20	233,322	277,700	43,587
Other Decreases in Fund Resources					
594-595	Capital Expenditures	2,310,719	-	1,014,604	-
591-593, 599	Debt Service	346,093	202,196	18,239	-
597	Transfers-Out	3,975	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		2,660,787	202,196	1,032,843	-
Increase (Decrease) in Cash and Investments:		(1,169,407)	17,999	82,106	237,271
Ending Cash and Investments					
5081000	Reserved	68,021	-	3,768	-
5088000	Unreserved	8,132,941	101,306	1,899,227	1,112,651
Total Ending Cash and Investments		8,200,962	101,306	1,902,995	1,112,651

City of Puyallup
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		503 INFORMATION TECHNOLOGY	504 HEALTHCARE INSURANCE	505 FACILITY MAINTENANCE
Beginning Cash and Investments				
30810	Reserved	-	-	-
30880	Unreserved	780,349	2,950,420	199,385
388 / 588	Prior Period Adjustments, Net	493,236	392,484	39,596
Revenues				
310	Taxes	-	-	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	401,397	-	304,000
340	Charges for Goods and Services	5,280,307	6,792,393	1,988,645
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	3,284	70,220	135,644
Total Revenues:		5,684,988	6,862,613	2,428,289
Expenditures				
510	General Government	2,250,246	6,638,450	1,903,541
520	Public Safety	2,839,263	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural and Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	-	-	-
Total Expenditures:		5,089,509	6,638,450	1,903,541
Excess (Deficiency) Revenues over Expenditures:		595,479	224,163	524,748
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	-	-	-
385	Special or Extraordinary Items	-	-	-
386 / 389	Custodial Activities	2,805	-	477
381, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		2,805	-	477
Other Decreases in Fund Resources				
594-595	Capital Expenditures	224,992	-	506,477
591-593, 599	Debt Service	839,360	-	102,919
597	Transfers-Out	-	-	-
585	Special or Extraordinary Items	-	-	-
586 / 589	Custodial Activities	-	-	-
581	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		1,064,352	-	609,396
Increase (Decrease) in Cash and Investments:		(466,068)	224,163	(84,171)
Ending Cash and Investments				
5081000	Reserved	-	-	-
5088000	Unreserved	807,519	3,567,070	154,813
Total Ending Cash and Investments		807,519	3,567,070	154,813

City of Puyallup
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	611 FIREMEN'S PENSION
308	Beginning Cash and Investments	1,049,132	1,049,132
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	58,771	58,771
380-390	Other Increases and Financing Sources	50,000	50,000
510-570	Expenditures	130,734	130,734
580-590	Other Decreases and Financing Uses	1,000,000	1,000,000
	Net Increase (Decrease) in Cash and Investments:	(1,021,963)	(1,021,963)
508	Ending Cash and Investments	27,168	27,168

The accompanying notes are an integral part of this statement.

CITY OF PUYALLUP
Notes to the Financial Statements
For the year ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

The City of Puyallup was incorporated on August 19, 1890, and operates under the laws of the State of Washington applicable to a non-charter code city with a council-manager form of government. The City is a general purpose government and provides a wide range of municipal services, including police, engineering, parks and recreation, library, cemetery, street, and administrative services. The City also owns and operates water, wastewater, storm and surface water, and sanitation utility systems.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

In accordance with state law, the City also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The City adopts annual appropriated budgets for the general, special revenue, enterprise, internal service and fiduciary funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual

appropriations for these funds lapse at the fiscal year end.

Budgets for debt service and capital projects funds are adopted at the level of the individual debt issue or project for fiscal periods that correspond to the lives of debt issues or projects, and are not required to be re-appropriated each year.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund	Original Adopted Budget	Budget Adjustments	Final Adopted Budget	Actual Expenditures	Variance
General Fund	\$ 46,165,422	\$ 4,335,097	\$ 50,500,519	\$ 42,710,939	\$ 7,789,580
Seizure and Forfeiture	212,345	-	212,345	117,242	95,103
Motel Tax	863,258	18,989	882,247	751,160	131,087
Trial Court Improvement	27,500	5,400	32,900	32,300	600
LIFT Grant	1,250,000	92,100	1,342,100	22,483	1,319,617
1st 1/4% Real Estate Excise Tax	579,873	-	579,873	579,873	-
2nd 1/4% Real Estate Excise Tax	579,873	-	579,873	579,873	-
2009 Revenue Bonds	18,339	-	18,339	18,239	100
2003 Trust Fund Loan	340,297	-	340,297	340,295	2
2003 LTGO Bonds	204,637	-	204,637	204,636	1
LID 96-1	106,623	-	106,623	106,123	500
2013 UTGO Bonds	777,356	-	777,356	776,356	1,000
2012 LTGO Bonds	992,325	-	992,325	991,325	1,000
2007/2013/2014 LTGO Bonds	1,598,077	-	1,598,077	1,597,077	1,000
2008/2015 LTGO Bonds	720,718	-	720,718	719,717	1,001
2015 Van Lierop Property	-	1,000,000	1,000,000	1,000,000	-
LID Guaranty	32,221	-	32,221	32,250	(29)
Parks Capital Improvement	2,597,040	1,912,691	4,509,731	1,490,736	3,018,995
Civic Center	400,417	1,800,000	2,200,417	1,401,013	799,404
Street	7,573,242	24,020,496	31,593,738	8,796,544	22,797,194
Sanitation	515,609	-	515,609	412,423	103,186
Water	7,937,587	3,329,080	11,266,667	6,575,827	4,690,840
Wastewater	11,922,615	15,976,140	27,898,755	15,782,755	12,116,000
Storm and Surface Water	6,626,410	21,335,542	27,961,952	6,689,896	21,272,056
Pioneer Park Pavilion	520,859	11,062	531,921	516,704	15,217
Equipment Rental	2,299,886	104,732	2,404,618	2,325,013	79,605
Insurance	1,835,620	-	1,835,620	1,675,050	160,570
Information Technology	7,116,537	1,198,855	8,315,392	6,153,861	2,161,531
Healthcare Insurance	7,407,348	-	7,407,348	6,638,450	768,898
Facility Maintenance	2,115,519	558,718	2,674,237	2,512,937	161,300
Firemen's Pension	141,000	1,000,000	1,141,000	1,130,734	10,266
	<u>\$ 113,478,553</u>	<u>\$ 76,698,902</u>	<u>\$ 190,177,455</u>	<u>\$ 112,681,831</u>	<u>\$ 77,495,624</u>

Budget adjustments are made periodically throughout the year when changes in fund appropriations are necessary. Transfers between departments within any one fund may be made by order of the City Manager. Any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

As part of the budget amendment process, unexpended portions of continuing capital project budgets are carried over into the new fiscal year. This simplifies reporting and control of

these budgets.

Intrafund transfers, or transfers within the same fund, are also included in the total adopted budgets for managerial control, but have been excluded from actual expenditures.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Vacation leave accumulates at various rates, depending upon date of hire, contract and City policy. Vacation leave is payable upon termination of employment. Sick leave accumulates at four hours per pay period. Employees may receive some or all of accumulated sick leave upon termination of employment, depending upon date of hire, contract and City policy. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 5, *Debt Service Requirements*.

H. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Liability and property coverage is provided through the Washington Cities Insurance Authority (WCIA). The City is a qualified self-insurer for workers' compensation and is self-insured through the State of Washington for unemployment claims. The City is also self-insured for employee healthcare benefits.

Liability and Property

The City 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that 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, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, 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.

Workers' Compensation

Beginning January 1, 2004, the City became a qualified self-insurer for workers' compensation as an alternative to the state workers' compensation program. The self-insurance program is funded by City operating funds based on established Labor and Industries rates per worked hour for employer contributions and employee deductions. An excess coverage policy is carried at a premium cost of \$50,140 for 2016. The costs of the self-insurance program for workers' compensation totaled \$412,485 in 2016. The City continues to participate in the state workers' compensation program for claims existing prior to January 1, 2004.

Unemployment

The City is self-insured through the State of Washington for unemployment claims. Claims are paid to the state on a quarterly basis and totaled \$34,449 for 2016.

Healthcare

The City is self-insured for employee healthcare benefits. The Healthcare Insurance Fund was established as an Internal Service Fund to pay medical, dental and vision healthcare claims, as well as to establish reserves for self-insurance. City operating funds contribute to the Healthcare Insurance Fund based on rates developed by an actuary. Claims exceeding \$150,000 per occurrence are covered by a stop loss policy.

I. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the City Council. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments are as follows:

Fund	Reserved For				
	Debt Service	Special Revenue	Unspent Development Fees	Trusts	Total
General Fund	\$ -	\$ -	\$ 88,315	\$ 31,451	\$ 119,766
Seizure and Forfeiture	-	566,194	-	-	566,194
Motel Tax	-	2,822,875	-	-	2,822,875
Trial Court Improvement	-	135	-	-	135
LIFT Grant	-	2,877,540	-	-	2,877,540
1st 1/4% Real Estate Excise Tax	-	486,940	-	-	486,940
2nd 1/4% Real Estate Excise Tax	-	491,767	-	-	491,767
2013 UTGO Bonds	77,612	-	-	-	77,612
Parks Capital Improvement	-	1,150,658	-	-	1,150,658
Street	-	-	119,229	-	119,229
Sanitation	133,903	-	-	-	133,903
Water	99,893	-	-	-	99,893
Wastewater	708,920	-	-	-	708,920
Storm and Surface Water	68,021	-	-	-	68,021
Equipment Rental	3,768	-	-	-	3,768
Facility Maintenance	-	-	-	-	-
Firemen's Pension Fund	-	-	-	27,168	27,168
	<u>\$ 1,092,117</u>	<u>\$ 8,396,109</u>	<u>\$ 207,544</u>	<u>\$ 58,619</u>	<u>\$ 9,754,389</u>

Note 2 – Deposits and Investments

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured,

registered or held by the City or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

	City Investments	Investments Held by the City as an Agent (Firemen's Pension)	Total
Cash	\$ 30,621,749	\$ 6	\$ 30,621,755
Cash Equivalents			
Local Government Investment Pool	17,592,046	27,162	17,619,208
Total Cash and Cash Equivalents	<u>\$ 48,213,795</u>	<u>\$ 27,168</u>	<u>\$ 48,240,963</u>
Investments	-	-	-
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Cash and Investments	<u>\$ 48,213,795</u>	<u>\$ 27,168</u>	<u>\$ 48,240,963</u>

Note 3 - Property Tax

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

Property tax revenues are recognized when cash is received by the city. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The city's regular levy for the year 2016 was \$1.75 per \$1,000 on an assessed valuation of \$4,666,932,714 for a total regular levy of \$8,162,928. In 2016, the city also levied \$0.16 per \$1,000 for debt service on voter approved General Obligation Bonds for the Puyallup Public Library for a total additional levy of \$740,000.

Note 4 - Interfund Loans

The following table displays interfund loan activity during 2016:

Borrowing Fund	Lending Fund	Balance 1/1/2016	New Loans	Repayments	Balance 12/31/2016
Street Fund	Wastewater Fund	\$ 1,784,251	\$ -	\$ 1,784,251	\$ -
Civic Center Fund	Wastewater Fund	400,000	-	400,000	-
Parks Capital Improvement Fund	Firemen's Pension Fund	-	1,000,000	-	1,000,000
		<u>\$ 2,184,251</u>	<u>\$ 1,000,000</u>	<u>\$ 2,184,251</u>	<u>\$ 1,000,000</u>

Note 5 - Debt Service Requirements

Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the city and summarizes the city's debt transactions for year ended December 31, 2016.

The debt service requirements for general obligation bonds, revenue bonds, capital leases, loans and notes are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,017,701	\$ 1,389,848	\$ 9,407,549
2018	6,506,480	1,133,639	7,640,119
2019	6,140,380	937,816	7,078,196
2020	4,417,686	796,357	5,214,043
2021	3,828,320	678,347	4,506,667
2022 - 2026	15,408,872	1,799,342	17,208,214
2027 - 2028	1,950,000	117,800	2,067,800
	<u>\$ 46,269,439</u>	<u>\$ 6,853,149</u>	<u>\$ 53,122,588</u>

Debt Refunding

The city issued \$2,510,000 of Combined Utility Revenue Refunding Bonds to retire \$2,770,000 of existing 2009 Series A Combined Utility Revenue Bonds. This refunding was undertaken to reduce total debt service payments over the next 13 years by \$451,230. The financial statements reflect other financing sources of \$2,962,273 and other financing uses of \$3,128,944 pertaining to this transaction.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans:

Public Employees' Retirement System (PERS)
Public Safety Employees' Retirement System (PSERS)
Law Enforcement Officers' and Fire Fighters' Retirement System(LEOFF)

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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

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

At June 30, 2016 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

<u>Plan</u>	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1	0.136501%	\$ 7,330,747
PERS 2/3	0.154051%	7,756,346
PSERS 2	0.232452%	98,787
LEOFF 1	0.081311%	(837,736)
LEOFF 2	0.197562%	(1,149,080)

LEOFF Plan 1

The City also participates in LEOFF Plan 1. The LEOFF Plan 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. Starting on July 1, 2000, employers and employees contribute zero percent.

LEOFF Plan 2

The City also participates in the LEOFF Plan 2. 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.

B. Firemen's Pension Plan

The City also administers a closed, single-employer, defined benefit pension plan called the Firemen's Pension Plan. This system was established by the City under Chapters 41.16 and 41.18 RCW, and is shown as a pension trust fund in the financial reports of the City. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to firemen employed by the City prior to March 1, 1970, when the LEOFF retirement system was established. All benefits are financed from member contributions made prior to LEOFF, investment earnings, an allocation of 25% of

all moneys received by the State from taxes on fire insurance premiums, and City contributions.

As of December 31, 2016, there were a total of twelve individuals covered by this system and drawing benefits, none of which are still employed by the City.

The City's liability under the plan is composed of all benefits for firemen retired prior to March 1, 1970, and excess benefits over LEOFF for covered firemen retired after March 1, 1970, who are mainly covered by the LEOFF system (described above).

An actuarial valuation for the Firemen's Pension Fund was updated in 2016 by Milliman. The valuation projected future payouts beyond 2016 of \$3,977,000 in nominal dollars. The plan's assets included \$27,168 in cash and an interfund loan due to the Firemen's Pension Fund of \$1,000,000, for total plan assets of \$1,027,168. The total projected payouts less the plan assets results in a cash basis equivalent of net pension liability of \$2,949,832, as reported on the Schedule 09.

The funding plan for this obligation is adjusted as appropriate each year in budget process. The latest funding plan update, as published in the 2017 Budget, explains that per City Council policy, the City contribution in the form of an operating transfer to the fund is increased each year until no further increase is necessary. The funding plan expects the maximum annual City contribution to be attained in 2019 at \$80,000 per year. Payouts are expected to decrease beginning in 2029, and the City contribution is reduced in 2043.

C. Postemployment Benefits Other Than Pensions

The City of Puyallup administers a single-employer, defined benefit healthcare plan ("the LEOFF 1 Retiree Healthcare Plan"). The plan provides lifetime healthcare benefits for eligible LEOFF 1 retirees through the City's group healthcare plans, which cover both active and retired members. Benefit provisions are established through the LEOFF Disability Board representing LEOFF 1 retirees. The LEOFF 1 Retiree Healthcare Plan does not issue a publicly available financial report.

The City contributes 100 percent of the cost of the LEOFF 1 Retiree Healthcare Plan. Plan members do not contribute to the plan. For fiscal year 2016, the City contributed \$490,905 to the plan. Plan costs are paid through the General Fund.

Note 7 – Accounting Changes

In 2016, the City transitioned from an accrual basis of accounting to a cash basis of accounting. To implement this change, the City recorded prior period adjustment increases of \$4,727,767 and decreases of \$5,212,312, for a total net adjustment of (\$484,545). Transactions having cash impacts in 2016, but originally reported in previous years, have generally been recorded as prior period adjustments, with a few exceptions. These exceptions consist of regular recurring tax and utility revenues, and debt service interest expenditures. These revenues and expenditures have been recorded as current year revenues and expenditures as cash was received or paid in 2016. This treatment is to ensure that the financial statements include a fair presentation of a full twelve months of regular operating revenues and expenditures.

**City of Puyallup
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
251.12	2013 REFUNDING UTGO BONDS	12/1/2019	2,980,000	-	730,000	2,250,000
251.11	2003 LTGO BONDS	3/1/2018	960,883	-	373,398	587,485
251.11	2007 LTGO BONDS	12/1/2018	3,420,000	-	1,315,000	2,105,000
251.11	2008 LTGO BONDS	7/1/2018	1,325,000	-	425,000	900,000
251.11	2012 REFUNDING LTGO BONDS	12/1/2024	7,770,000	-	765,000	7,005,000
251.11	2013 REFUNDING LTGO BONDS	12/1/2026	4,370,000	-	55,000	4,315,000
251.11	2014 REFUNDING LTGO BONDS	12/1/2026	9,270,000	-	110,000	9,160,000
251.11	2015 REFUNDING LTGO BONDS	7/1/2028	5,710,000	-	-	5,710,000
263.87	2003 PUBLIC WORKS TRUST FUND LOAN	6/1/2023	2,708,607	-	338,576	2,370,031
263.83	2014 HIGHWAY INFRASTRUCTURE ACCT LOAN	10/31/2022	112,624	142,723	-	255,347
263.96	2015 LOCAL LOAN	12/1/2025	833,235	-	55,920	777,315
263.51	2014 CAPITAL LEASE	12/1/2017	771,302	-	380,495	390,807
263.61	2015 VAN LIEROP PROPERTY NOTE	1/1/2019	1,250,000	-	976,267	273,733
263.85	2016 CENTRAL PIERCE FIRE PROPERTY NOTE	9/30/2018	-	2,181,965	1,000,000	1,181,965
Total General Obligation Debt/Liabilities:			41,481,651	2,324,688	6,524,656	37,281,683
Revenue and Other (non G.O.) Debt/Liabilities						
263.88	1997 PUBLIC WORKS TRUST FUND LOAN	6/1/2017	745,511	-	372,755	372,756
252.11	2004 REFUNDING REVENUE BONDS	6/1/2016	790,000	-	790,000	-
252.11	2009 REFUNDING REVENUE BONDS	11/1/2019	1,770,000	-	580,000	1,190,000
252.11	2009 REVENUE BONDS	11/1/2019	3,725,000	-	2,995,000	730,000
252.11	2011 REVENUE BONDS	11/1/2020	1,430,000	-	270,000	1,160,000
252.11	2013 REFUNDING REVENUE BONDS	6/1/2020	3,995,000	-	970,000	3,025,000
252.11	2016 REFUNDING REVENUE BONDS	11/1/2028	-	2,510,000	-	2,510,000
264.30	STATE SPONSORED PENSION PLAN LIABILITY		13,367,550	1,818,330	-	15,185,880
264.30	FIREMEN'S PENSION PLAN LIABILITY		1,504,830	1,445,002	-	2,949,832
259.12	COMPENSATED ABSENCES LIABILITY		3,462,011	-	390,646	3,071,365
Total Revenue and Other (non G.O.) Debt/Liabilities:			30,789,902	5,773,332	6,368,401	30,194,833

**City of Puyallup
Schedule of Liabilities
For the Year Ended December 31, 2016**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Assessment Debt/Liabilities (with commitments)						
253.11	1999 LID 96-1	12/1/2016	100,000	-	100,000	-
	Total Assessment Debt/Liabilities (with commitments):		100,000	-	100,000	-
	Total Liabilities:		72,371,553	8,098,020	12,993,057	67,476,516

City of Puyallup
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			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Forest Service, Department Of Agriculture (via WA State Dept of Natural Resources)	Cooperative Forestry Assistance	10.664	N/A	500	-	500	-	
National Park Service, Department Of The Interior (via WA State Dept of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	FY16-61016- 008	10,000	-	10,000	-	3
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	N/A	-	7,393	7,393	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	22,004	22,004	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX- 0367	-	1,616	1,616	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BS- 0320	-	10,229	10,229	-	
Bureau Of Justice Assistance, Department Of Justice (via WA State Dept of Commerce, Pierce County)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	F15 & F16- 31440-013/SC- 103477	13,235	-	13,235	-	
Total CFDA 16.738:				13,235	33,849	47,084	-	
Highway Planning and Construction Cluster								
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	LA-7842	3,662	-	3,662	-	3

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Expenditures					Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	LA-7902	22,508	-	22,508	3
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	LA-8110	708,549	-	708,549	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	LA-8628	454,660	-	454,660	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)	Highway Planning and Construction	20.205	LA-8730	104,882	-	104,882	3
Total Highway Planning and Construction Cluster:				1,294,261	-	1,294,261	-
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Association of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	N/A	3,757	-	3,757	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	1,358	-	1,358	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	13,362	-	13,362	-

The accompanying notes are an integral part of this schedule.

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

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	1,447	-	1,447	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	4,222	-	4,222	-	
		Total CFDA 20.600:		24,146	-	24,146	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	4,725	-	4,725	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	M6X17-10	3,295	-	3,295	-	
		Total CFDA 20.616:		8,020	-	8,020	-	
Office Of Water, Environmental Protection Agency (via WA State Department of Ecology)	National Estuary Program	66.456	C1600109	85,657	-	85,657	-	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via WA State Military Department, Emergency Management Division)	Emergency Management Performance Grants	97.042	E16-155	33,965	-	33,965	-	
		Total Federal Awards Expended:		1,469,784	41,242	1,511,026	-	

The accompanying notes are an integral part of this schedule.

CITY OF PUYALLUP

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 reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

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 – Prior Period Expenditures

A portion of the amount reported referencing this note was expended in prior years, but was not reported on the Schedules of Expenditures of Federal Awards for prior years. To ensure continuity and completeness of the schedule, it is included in the 2016 Schedule of Expenditures of Federal Awards.

Note 4 – Indirect Cost Rate

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov