

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

City of Olympia
Thurston County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012284

Issue Date
July 28, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

July 28, 2014

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,

TROY KELLEY
STATE AUDITOR

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Thurston County
January 1, 2013 through December 31, 2013**

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Federal Summary

City of Olympia Thurston County January 1, 2013 through December 31, 2013

The results of our audit of the City of Olympia are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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 under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

Status of Prior Audit Findings

City of Olympia Thurston County January 1, 2013 through December 31, 2013

The status of findings contained in the prior years' audit reports of the City of Olympia is provided below:

1. The City should improve internal controls over federal grant reporting to ensure complete audit coverage of its federal grants.

Report No. 1010153, dated June 24, 2013

Background

The City spent \$4,395,797 in federal grant funds in 2012. During our prior three audits, we noted concerns over the preparation and presentation of the Schedule of Expenditures of Federal Awards (SEFA). In response, the City implemented additional internal controls, including an independent review of the schedule by someone other than the preparer.

Our current audit determined the SEFA again contained an error. The City entered \$7,491 in federal grant expenditures into its accounting system as state expenditures. As a result, the Disaster Grants – Public Assistance grant (CFDA 97.036) was underreported by \$7,491. Once this error was corrected, the SEFA identified an additional federal program that had to be audited.

The Finance Department uses information from its accounting system to prepare the SEFA, however, its procedures to ensure the system information is accurate and complete were ineffective in identifying the error.

Further, although the City has implemented an independent review of the SEFA, the review process was not effective in identifying the error in the schedule.

Status

This finding has been resolved. The City has improved its review process of the SEFA to ensure it is accurate and complete.

**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, 2013 through December 31, 2013**

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, 2013, 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 24, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

June 24, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Olympia
Thurston County
January 1, 2013 through December 31, 2013**

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) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

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

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

June 24, 2014

Independent Auditor's Report on Financial Statements

**City of Olympia
Thurston County
January 1, 2013 through December 31, 2013**

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 12.

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, 2013, 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 13 through 22 budgetary comparison information on page 74, firemen's' pension plan information on page 75 and information on postemployment benefits other than pensions on page 76 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 24, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

June 24, 2014

Financial Section

**City of Olympia
Thurston County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2013

Statement of Net Position – Proprietary Funds – 2013

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – 2013

Statement of Cash Flows – Proprietary Funds – 2013

Trust and Agency Statement of Fiduciary Net Position – Fiduciary Funds – 2013

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013

Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund – 2013

Firemen' Pension Plan – 2013

Law Enforcement and Fire Fighters Retirement System (LEOFF), Postemployment Benefits Other Than Pensions – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

Management's Discussion and Analysis

This management discussion and analysis (MD&A) is an overview of the financial activity of the City of Olympia for the year ended December 31, 2013. 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 the information presented here 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 of the City of Olympia's exceeded its liabilities at the close of the most recent fiscal year by \$335.8 million (net position). Of this amount, \$45.4 million represents unrestricted net position, which 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 \$36.1 million, a \$4.2 million increase of in comparison with the prior year. Approximately 17.5% of this amount (\$6.3 million) is available for spending at the government's discretion (*unassigned fund balance*). Approximately 38.8% of this amount (\$14 million) would require the council action to re-allocate the resources (assigned and committed fund balance). The remaining 43.8% (\$15.8 million) is not available for discretionary spending (*nonspendable and restricted fund balance*).
- The City of Olympia's total outstanding long-term debt, including all governmental and business type debt, at the end of the fiscal year was \$107.3 million, an increase of \$11.1 million in comparison with the prior year. The increase was due to the issuance of Limited Tax General Obligation and Revenue bonds.

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 (Statement of Net Position and Statement of Activities) are presented in two groups:

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

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

decreased 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 liabilities, 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 as soon as 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 the Workers' Compensation Fund. The internal services funds service 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 retirees (firefighters hired prior to March 1970) and their beneficiaries covered by the Firemens' 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 and its obligation to provide pension and other post-employment benefits (OPEB) to its employees. The only OPEB obligation of the City is to police officers and firefighters hired prior to October 1, 1977.

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 \$335.8 million as of December 31, 2013. 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	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 56.1	\$ 53.9	\$ 26.1	\$ 24.4	\$ 82.2	\$ 78.3
Other Assets	11.2	9.8	1.3	0.4	12.5	10.2
Capital Assets	253.4	249.4	118.6	110.3	372.0	359.7
Total Assets	320.7	313.1	146.0	135.1	466.7	448.2
Current Liabilities	12.6	11.6	5.2	4.6	17.8	16.2
Unearned Revenue	8.6	8.1	0.0	0.0	8.6	8.1
Long Term Liabilities	77.1	74.5	27.3	18.1	104.4	92.6
Total Liabilities	98.3	94.2	32.5	22.7	130.8	116.9
Net Position						
Net Investment in Capital Assets	181.6	177.2	91.3	90.9	272.9	268.1
Restricted	16.3	13.5	1.3	0.4	17.6	13.9
Unrestricted	24.4	28.3	20.9	21.1	45.3	49.4
Total Net Position	\$ 222.3	\$ 219.0	\$ 113.5	\$ 112.4	\$ 335.8	\$ 331.4

The largest portion of the City's net position is its net investment of capital assets. This category makes up 81.3% for 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.

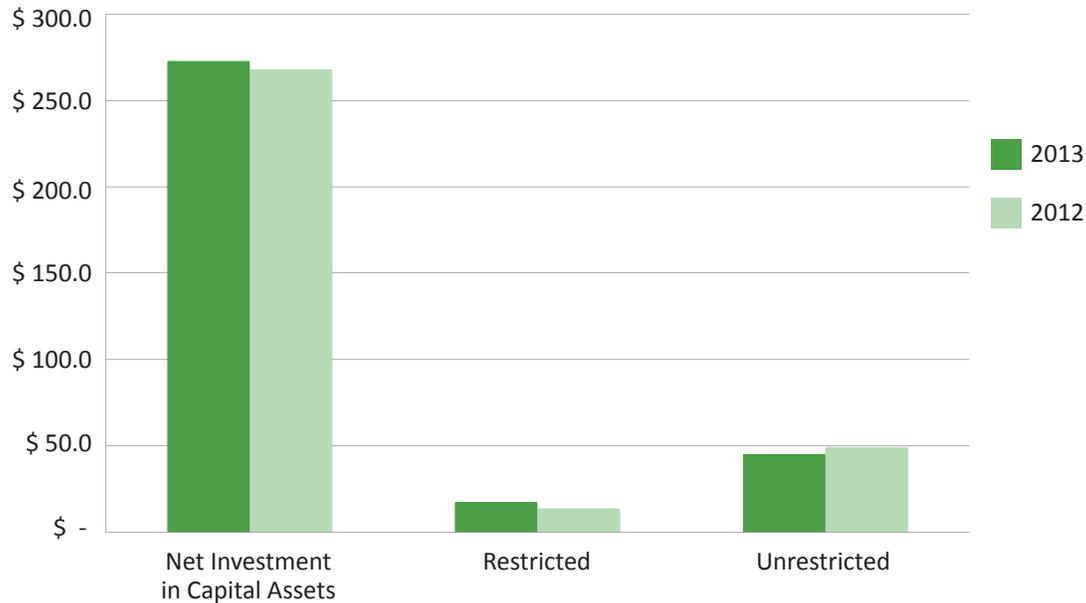
The smallest category of net position, making up 5.2% of net position, is the restricted net position and it represents the resources that are subject to external restrictions on how they may be used. These restrictions include debt covenants, law (enabling legislation), grant requirements, or some other reason which imposes a limit on the use of the assets which is outside the control of the City.

The remaining balance of \$45.3 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.

Allocation of Net Position (in million \$)			
	Investment in Capital Assets	Restricted	Unrestricted
General Fund	\$ 176.1	\$ 0.5	\$ 20.6
Special Revenue Funds			
HUD/Community Development Block Grants	-	0.2	-
Impact Fees & Mitigation Fees	-	7.6	-
Lodging Tax & Utility Tax	-	3.0	-
Parking and Transportation	-	1.8	-
Culture and Entertainment	-	0.4	-
Debt Service	-	0.1	-
Capital Projects			
General Capital Improvement	-	2.2	0.2
Internal Services			
Equipment Rental	5.5	-	3.4
Risk Management	-	-	0.2
Unemployment, Workers' Compensation	-	0.5	-
Total Governmental Activities	\$ 181.6	\$ 16.3	\$ 24.4
Utility Operations			
Water/Sewer	\$ 67.7	\$ 1.3	\$ 13.7
Solid Waste	0.1	-	2.2
Stormwater	23.5	-	5.0
Total Utility Operations	\$ 91.3	\$ 1.3	\$ 20.9

At the end of 2013 and 2012, 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 \$4.4 million from the prior fiscal year. The reasons for the increase are discussed in the following sections for governmental activities and business-type activities.

**City of Olympia Net Position (in millions \$)
December 31, 2013 and 2012**



Governmental Activities.

During the fiscal year, net position for governmental activities increased by \$3.3 million, to a balance of \$222.3 million. This change in net position is primarily due to investments in capital improvements. In 2013 governmental activities issued approximately \$6.3 million in Limited Tax General Obligation Bonds. The City used these resources to repay the 2011 Parks Bond Anticipation Note, and to pay for major projects. These projects include expenditures in 2013 of \$3.0 million on the Washington Center for the Performing Arts repair and improvement project. The remaining proceeds will fund \$1.7 million street light conversion from sodium vapor lights to LED street lights. In 2013 the City received \$0.6 million in contributed capital assets in the form of infrastructure (roadways, sidewalks, street lights, and curbs).

Business-Type Activities.

During the fiscal year, net position for business-type activities increased by \$1.1 million, to a balance of \$113.5. This change in net position is primarily due to investment in capital improvements in the City’s utilities. In 2013 the business-type activities used available cash resources and issued \$7.8 million in Water and Sewer Revenue and Refunding Bonds to refund the 2001 Water and Sewer Bonds and to pay for major capital projects. These projects include expenditures of \$3.0 million for the Automated Meter Reading System project, \$4.1 million for the McAllister Well and Wellfield Transmission Line Development, \$3.7 million for water and sewer pipe upgrades, and \$1.1 million for stormwater pipe expansion and rehab projects. The Water Utility also drew funds in the amount of \$4.7 million from its authorized \$10.9 million Drinking Water State Revolving Fund Loan, which is funding most of the McAllister project. In 2013 the City added \$0.2 million contributed capital assets in the form of infrastructure (water, sewer, and stormwater pipelines).

Statement of Activities. In addition to investments in capital assets, changes in net position are 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.

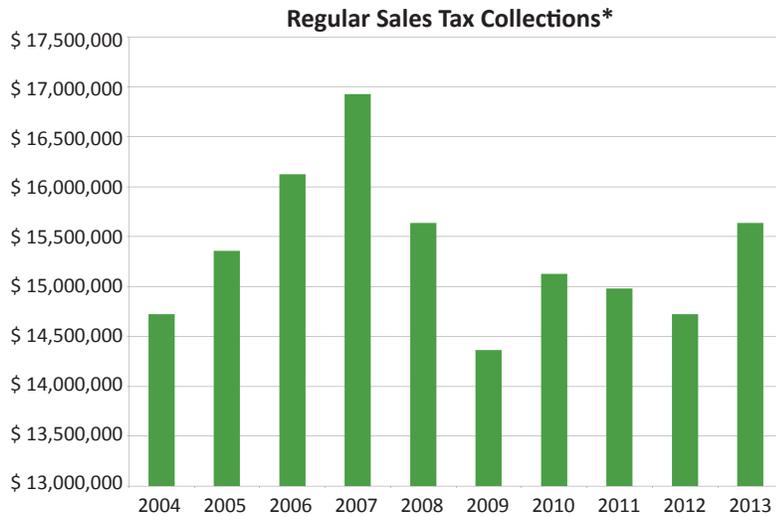
Statement of Changes in Net Position (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Service	\$ 19.7	\$ 15.6	\$ 41.7	\$ 37.7	\$ 61.4	\$ 53.3
Operating Grants and Contributions	3.9	6.0	0.7	0.5	4.6	6.5
Capital Grants and Contributions	1.7	6.3	0.4	2.8	2.1	9.1
General Revenues:						
Property Taxes	13.1	12.8	-	-	13.1	12.8
Utility and B&O Taxes	17.5	17.7	-	-	17.5	17.7
Sales and Other Taxes	18.9	17.4	-	-	18.9	17.4
Other General Revenues	3.5	2.7	0.7	2.5	4.2	5.2
Total Revenues	78.3	78.5	43.5	43.5	121.8	122.0
Program Expenses						
General Government	23.4	24.4	-	-	23.4	24.4
Public Safety	29.1	28.1	-	-	29.1	28.1
Transportation	9.4	9.7	-	-	9.4	9.7
Economic Environment	3.8	3.1	-	-	3.8	3.1
Culture & Recreation	5.9	6.1	-	-	5.9	6.1
Interest on Government Debt	3.6	3.6	-	-	3.6	3.6
Water/Sewer	-	-	27.5	25.9	27.5	25.9
Solid Waste	-	-	9.1	9.2	9.1	9.2
Stormwater	-	-	5.5	5.3	5.5	5.3
Total Expenses	75.2	75.0	42.1	40.4	117.3	115.4
Excess(deficiency) before transfers	3.1	3.5	1.4	3.1	4.5	6.6
Transfers (net)	0.3	0.1	(0.3)	(0.1)	-	-
Increase(decrease) in Net Position	\$ 3.4	\$ 3.6	\$ 1.1	\$ 3.0	\$ 4.5	\$ 6.6

Governmental Activities. General Revenues are one source of revenues that supports the government, however various programs will charge for their services. In 2013, the Washington State Auditor's Office prescribed changes to the uniform chart of accounts in the Budget, Accounting, and Reporting Manual (see Note 19 for further information). The change in the accounts moved the reporting of previously classified intergovernmental revenues (or operating grants) to charges for service, therefore in 2013 the City reported approximately \$2.7 million in Medic 1 services as charges for service. The remaining \$1.5 million increase came from the collection of Impact Fees, a direct result of increased building permit applications.

Taxes are the main source of revenue that supports governmental activities. The three major sources include: property tax, sales tax, and gross receipt taxes. Property tax is a fairly stable source for the City amounting to approximately 24.72% of total general revenues generated by governmental activities. While stable in nature, voter initiatives have limited the growth in property tax to 1% before new construction and annexations, although a higher increase may be authorized by voters. The assessed valuation for 2014 collections after additions for new construction is up from last year by 5.0%, the first increase in assessed values since 2009. The average additional property tax from new construction for the last 5 years has been approximately \$156,529. Tax assessments on new construction in 2013 were \$179,276.

The largest source of tax revenue is sales tax. Sales and Gross receipt taxes make up approximately 68.7% of the total general revenues received by the City. Sales tax collections in 2013 were \$1.5 million higher than 2012 collections, bringing in \$18.9 million. During the 2012 and 2013 budget process, the City recognized that new sources of revenue were needed. In November 2012, the City put a vote to the people an increase of sales tax of one-tenth of one percent, for the purpose of funding the public safety function of the City. The voters approved the local sales tax, and the City began to receive the revenues related to this increase starting mid-year 2013.

The following graph shows sales tax collections for the past 10 years. The City is approximately \$1.3 million below the high of sales tax collections in 2007. The reduction in sales tax collection was due to the recent recession. The major factor in the increase in 2010 was due to construction projects by State and Local government. The major factor in the 2013 increase was the voter approved sales tax, as mentioned above.



*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 \$4.0 million. As mentioned above, the chart of account changes also affected the Business-type Activities. Previously General Facility Charge (GFC) revenues were classified as miscellaneous. These charges under the updated chart of accounts are now reported as charges for services. In 2013 the GFC revenue was \$2.7 million. The remaining \$1.3 million increase is due to rate increases. The 2013 rate increases were as follows: Drinking Water rates increased to provide an overall revenue increase of 7%, Wastewater LOTT sewage treatment rates increased 3%, Stormwater rates increased 6%, there were no increases in the Solid Waste department. 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 wetter summers in recent years. These factors have been considered in the development of current and future rates. The water related utilities (Drinking, Waste & 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. 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.

Governmental Funds. At December 31, 2013, the City of Olympia's governmental funds reported a combined fund balance of \$36.1 million, an increase of \$4.2 million in comparison with 2012. Approximately 17.5% of this amount, \$6.3 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 to the right shows the allocation of fund balance for governmental funds, for the years ended December 31, 2013 and 2012. For more detailed information about fund balance, see the Fund Balance Details section of Note 1.E.

Statement of Governmental Fund Balance (in million \$)			
	2013	2012	Difference
General Fund			
Nonspendable	\$ 0.2	\$ 0.2	\$ -
Restricted	0.3	0.2	0.1
Committed	3.9	3.0	0.9
Assigned	6.1	5.1	1.0
Unassigned	6.3	5.8	0.5
Total General Fund	\$ 16.8	\$ 14.3	\$ 2.5
All Other Governmental Funds			
Restricted	\$ 15.3	\$ 13.0	\$ 2.3
Committed	1.3	1.5	(0.2)
Assigned	2.7	3.1	(0.4)
Total All Other Governmental Funds	\$ 19.3	\$ 17.6	\$ 1.7
Total Governmental Fund Balance	\$ 36.1	\$ 31.9	\$ 4.2

The recent recession has had an impact however the City has taken various actions to mitigate negative effects on fund balances. These actions include a reduction of staff, delaying certain special fundings, 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 is implementing budget procedures to reform our way of doing business in an effort to maintain services for the future. These efforts have resulted in an increased fund balance of \$2.5 million for the General Fund.

The general fund is the main operating fund of the City of Olympia. The general fund holds 100% 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 2013 general fund expenditures were \$64.7 million. Unassigned fund balance represents 9.7% of general fund expenditures, while total general fund balance represents approximately 26% of that same amount.

All other governmental funds include special revenue funds, debt service funds, and capital project funds. Their combined fund balance increased in 2013 by \$1.7 million. The majority of this increase can be found in restricted fund balance, in the form of unspent bond proceeds in the amount of approximately \$2.0 million, these proceeds will be used on the Washington Center for the Performing Arts repairs and the Street Light LED replacement project. The decrease in committed and assigned fund balance was a result of the spending of resources for capital projects. Capital projects and capital assets are discussed in following sections of this report.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following chart shows the allocation of net position for the proprietary funds, for the years ended December 31, 2013 and 2012.

The total net position of the business type activities (the utility funds) increased by \$1.1 million from the prior

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		2013	2012
	2013	2012	2013	2012	2013	2012	2013	2012
NET POSITION								
Net Investment In Capital Assets	\$ 67.8	\$ 68.0	\$ 0.1	\$ -	\$ 23.5	\$ 22.9	\$ 5.5	\$ 4.4
Restricted For:								
Bond Reserve Fund	1.3	0.4	-	-	-	-	-	-
Workers Comp Reserve	-	-	-	-	-	-	0.5	0.1
Unrestricted (Deficit)	13.7	13.1	2.1	2.5	5.0	5.5	3.8	4.5
Total Net Position	\$ 82.8	\$ 81.5	\$ 2.2	\$ 2.5	\$ 28.5	\$ 28.4	\$ 9.8	\$ 9.0

year. The utilities continue their efforts to implement their capital plan, which is focused on obtaining a new primary source of drinking water and transitioning to an automated meter reading process. In 2013 capital assets increased over \$8.0 million, in which a most of the funding for this increase comes from the issuance of bond and loan proceeds, approximately \$7.7 million, which offsets the increase in the net investment in capital assets. For additional information on the calculation of the net investment in capital assets, please see Note 19, B.

Capital Assets and Debt Administration

As mentioned earlier, the City of Olympia's investment in capital assets is a major focus in both the governmental and proprietary funds. As of December 31, 2013, the City's investment in capital assets, including work in progress, for its governmental and business type activities amounts to \$371.9 million (net of accumulated depreciations).

The 2013 investment total reflects an increase in net capital assets of \$12.2 million. The following schedule shows the City's investment in capital assets.

Capital Assets at Year End, Net of Depreciation (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 45.1	\$ 40.2	\$ 2.5	\$ 2.5	\$ 47.6	\$ 42.7
Building and Improvements	103.7	15.5	81.7	80.8	185.4	96.3
Equipment	7.5	7.4	0.8	0.7	8.3	8.1
Infrastructure	77.7	71.4	-	-	77.7	71.4
Intangible Assets	-	-	3.7	3.9	3.7	3.9
Work in Process	19.3	114.9	29.9	22.4	49.2	137.3
Total	\$ 253.3	\$ 249.4	\$ 118.6	\$ 110.3	\$ 371.9	\$ 359.7

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

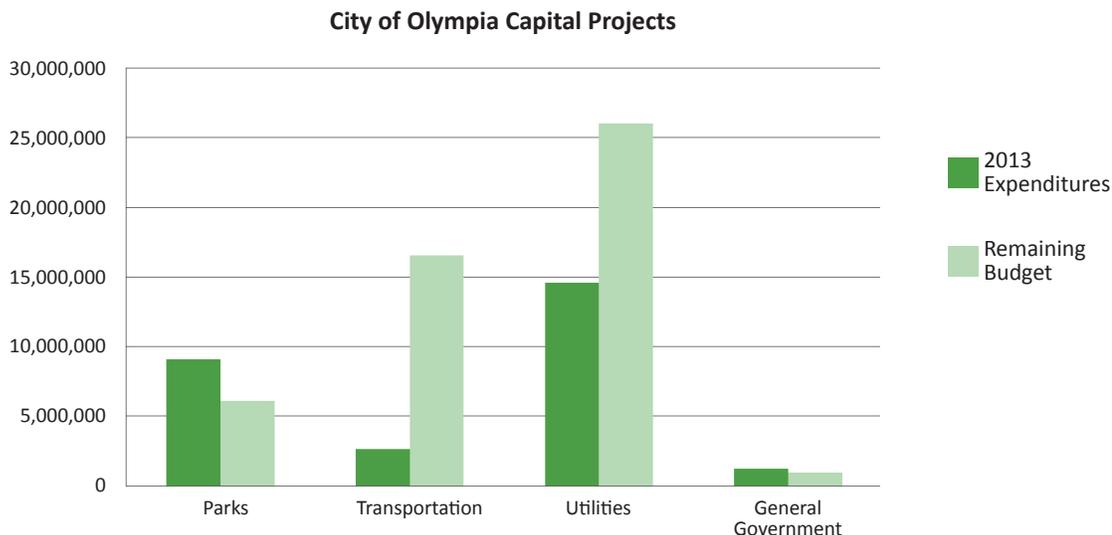
- Completion of the following work in process capital assets that were placed into service and increased Building and Improvements: The Hands on Children’s museum \$7.2 million, City Hall \$51.0 million, Fire Station No. 4 \$6.0 million, the Fire Training Center \$7.9 million, and Percival Landing \$13.1 million.
- Completion of the following work in process capital assets that increased Infrastructure: 18th Avenue roadway construction \$7.3 million and Harrison Avenue \$3.8 million.
- Washington Center for the Performing Arts exterior replacement project, added to work in process with 2013 costs of \$3.5 million.
- McAllister Wellfield Transmission Line and Well Development, added to work in process with 2013 costs of \$4.1 million.
- Completion of various projects related to water, sewer, and stormwater pipeline upgrades and replacements at a cost of \$4.7 million.

Capital Assets are affected by various additions and deletions, and by depreciation. Additions are from the purchase and/or construction of capital assets, completion of WIP projects, or from donations to the city. Deletions are from the sale or loss (accident or damage) of a capital asset, or by the completion of a WIP project. The following schedule shows a summary of the City’s additions and deletions of capital assets:

Summary of Capital Asset Additions and Deletions (in million \$)			
	Governmental Activities	Business-Type Activities	Total Primary Government
Beginning Balance (Net)	\$ 249.4	\$ 110.3	\$ 359.7
Additions	114.5	16.6	131.1
Deletions	(103.6)	(4.5)	(108.1)
Depreciation	(7.0)	(3.8)	(10.8)
Ending Balance (Net)	<u>\$ 253.3</u>	<u>\$ 118.6</u>	<u>\$ 371.9</u>

Construction Activities. The City continues to place major emphasis on preserving and maintaining the existing buildings, parks, streets, and utility infrastructure. During 2013, the City expended approximately \$28 million from its capital project related funds, and at the end of 2013 had approximately \$50 million in approved projects in progress.

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



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 \$107.3 million of long-term debt outstanding at December 31, 2013, a \$11.1 million increase when compared to the \$96.2 million outstanding at December 31, 2012.

City of Olympia Outstanding Debt (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 68.8	\$ 64.1	\$ -	\$ -	\$ 68.8	\$ 64.1
Revenue Bonds	-	-	20.5	15.7	20.5	15.7
WA State Trust Fund Loans	3.9	4.4	1.4	1.5	5.3	5.9
Other Loans	1.0	3.7	6.8	2.1	7.8	5.8
Compensated Absences	4.3	4.0	0.6	0.7	4.9	4.7
Total Long-Term Debt	\$ 78.0	\$ 76.2	\$ 29.3	\$ 20.0	\$ 107.3	\$ 96.2

The City issued new long term debt in 2013, in the form of draws on the Drinking Water State Revolving Fund Loan (DWSRF) for the McAllister Well Project, 2013 draws amounted to \$4.7 million. The authorized \$10.9 million DWSRF Loan is a low interest loan, and at December 31, 2013, total draws amounted to \$5.5 million. The City also issued both Limited Tax General Obligation (LTGO) and Revenue Bonds in 2013. The 2013 LTGO Bond, in the amount of \$6.3 million is funding the Washington Center for the Performing Arts exterior replacement project, the Street Light conversion to LED lighting project, and the payment of the 2011 Parks Bond Anticipation Note, which helped to fund the Percival Landing rehabilitation project. The 2013 Revenue Bond, in the amount of \$7.8 million is funding the refunding of the 2001 Revenue Bond and the Automated Meter Reading conversion project.

The latest bond rating for City of Olympia general obligation bonds was Aa3 from Moody's and AA from Standard & Poor's. The City Of Olympia insured its bonds issues prior to 2009 and they therefore have the credit rating of the underlying insurance company. The chart below shows the credit ratings 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	A1	AA
2009 City Hall BABS	N/A	A1	AA
2009 Fire Station LTGO	N/A	Aa3	AA
2010 Streets Projects LTGO	N/A	Aa3	AA
2010B HOCM LTGO	N/A	Aa3	AA
2013 WA Center, LED, & Parks LTGO	N/A	Aa3	AA
2013 Water/Sewer	N/A	Aa3	AA

The completion of the six year Capital Facilities Plan for the water utility has identified the need for future borrowings. Potential debt issues in the next 12-24 months may include approximately \$11 million in low interest financing from the State of Washington for the construction of a new water reservoir in the SE Olympia area. The current water and sewer rates are sufficient at this time to pay for the issuance of the debt.

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 \$9.5 million, including transfers out. Major increases were:

Continuing Appropriations	\$ 3,880,275
Allocated to facilities major repair and maintenance, for the WA Center Project	\$ 4,253,400
Allocation of reserves to special accounts	542,440
Courtroom and Jail Remodel and Repair	177,000
Debt Issuance Costs	115,537

Look Forward to 2014 and Beyond

The 2014 General Fund budget of \$65.9 million, comprised of the basic municipal services, had a modest growth of 3.6% from the original 2013 budget. The City was able to balance the General Fund budget with a minor use of fund balance, cuts in service, no major tax increases, while maintaining the at least a 10% operating reserve. Sales tax, the major source of General Fund revenue continues to rebound slowly from the economic decline of the past few years and a voter approved one-tenth of one percent local sales tax increase funded increases in the Public Safety functions of the City. Modest revenue gains and some cost controls have put the City on the right patch; however, more work is needed to allow for us to maintain core services.

As was discussed earlier in this report, the reformation of city service delivery was the theme of 2013 and continued into the 2014 budget. The City continues to reform operations, embrace innovation, utilize smart technologies, and aggressively manage expenses. Part of the reformation will be to continue looking at containing personnel costs and increases in rates and charges for services.

As discussed earlier, the City of Olympia received an increase in sales tax revenue due to the voter approved Public Safety measure. In 2013 the City received approximately \$890,000 in dedicated Public Safety sales tax revenues. These funds were used to increase services in the following programs: Victim Assistance, Traffic Unit, School Resource Officer, Crime Prevention, Downtown Police Patrol, and the City Jail. In 2014, the City anticipates approximately \$1.4 million in dedicated revenue. These funds will be used to maintain the services implemented in 2013 and add the following: additional staffing to the Downtown Police Patrol and Drug Task Force, and funding Police Equipment and Information Technology needs.

A major expense reduction in 2014 was the health insurance savings of approximately \$300,000. The City is a member of the Association of Washington Cities (AWC) and the AWC Trust has become self-insured instead of fully funded. This change eliminated some very significant taxes, thereby reducing the City's 2014 expenses. Additionally, the legislature made changes to rulings that now allow the Drinking Water Utility to pay the cost of fire flow, thereby further reducing General Fund expenses.

Utility rate increases for 2014 were as follows:

Drinking water's overall rate increase was 7%, the individual rate increase varies by customer type and amount of water used.

Storm and Surface water's overall rate increase was 2%, which will be applied evenly across all rate classes.

Wastewater's rate increase was 4% and LOTT (Lacey, Olympia, Tumwater, Thurston County) Clean Water Alliance approved a 3% increase for wastewater and reclaimed water services.

Waste Resources rates changed as follows: 8% increase for residential collections, 5% increase for commercial collections, and 6% increase for organics collections.

The City will continue to invest in capital improvements. The 2014 Capital Improvement Plan (CIP) includes \$2.2 million for parks projects, \$3.6 million for transportation projects, and an investment of \$600,000 in building repairs and major maintenance. The CIP added \$6.3 million for utility related projects, some of which will be debt financed. Maintenance of infrastructure remains a challenge for the City.

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 at: City of Olympia, PO Box 1967, Olympia, WA 98507.

Statement of Net Position

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash And Cash Equivalents	\$ 43,999,208	\$ 20,232,264	\$ 64,231,472
Receivables			
Taxes	7,522,935	-	7,522,935
Customer Accounts	2,538,862	5,030,918	7,569,780
Special Assessments	3,023	-	3,023
Notes/Contract/Loans Receivable	228,527	-	228,527
Other Receivables	354,842	377,817	732,659
Other Governmental Units	1,007,755	377,708	1,385,463
Inventories	200,548	141,308	341,856
Other Current Assets	268,844	1,650	270,494
Total Current Assets	56,124,544	26,161,665	82,286,209
Non-Current Assets:			
Restricted Cash And Cash Equivalents	481,226	1,260,733	1,741,959
Special Assessments	19,735	-	19,735
Notes/Contract/Loans Receivable	8,252,119	-	8,252,119
Investment In Joint Venture	934,932	-	934,932
Net Pension Obligation	1,474,327	-	1,474,327
Capital Assets			
Capital Assets Not Being Depreciated	64,394,086	32,386,105	96,780,191
Depreciable Assets, Net	188,992,873	86,170,412	275,163,285
Total Non-Current Assets	264,549,298	119,817,250	384,366,548
Total Assets	320,673,842	145,978,915	466,652,757
LIABILITIES			
Current Liabilities			
Accounts Payable	2,362,292	2,149,533	4,511,825
Contracts Retainage Payable	529,406	283,409	812,815
Interest Payable	211,226	167,098	378,324
Due To Other Governmental Units	85,015	20,013	105,028
Custodial Accounts	154,089	777	154,866
Wages Payable	1,954,359	332,043	2,286,402
Other Current Liabilities	846,027	199,507	1,045,534
Unearned Revenue	8,560,674	-	8,560,674
Compensated Absences (Current Portion)	3,077,908	648,469	3,726,377
Notes And Bonds Due Within One Year	3,472,036	1,632,459	5,104,495
Total Current Liabilities	21,253,032	5,433,308	26,686,340
Non-Current Liabilities			
Net OPEB Obligation	5,641,817	-	5,641,817
Compensated Absences	1,259,905	-	1,259,905
Notes And Bonds Due In More Than One Year	70,191,930	27,064,651	97,256,581
Total Non-Current Liabilities	77,093,652	27,064,651	104,158,303
Total Liabilities	98,346,684	32,497,959	130,844,643
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow - Grant Revenue	20,250	-	20,250
Total Deferred Inflows Of Resources	20,250	-	20,250
NET POSITION			
Net Investment in Capital Assets	181,567,905	91,354,309	272,922,214
Restricted For:			
Capital Projects	326,673	-	326,673
Debt Services	121,747	1,260,733	1,382,480
HUD Programs	165,061	-	165,061
Impact Fees	6,760,750	-	6,760,750
Lodging Tax	170,199	-	170,199
Transportation, Parking, And Parks	6,471,525	-	6,471,525
Washington Center	453,855	-	453,855
Workers Comp Reserve	481,226	-	481,226
Other Purposes	1,299,611	-	1,299,611
Unrestricted	24,488,356	20,865,914	45,354,270
Total Net Position	\$ 222,306,908	\$ 113,480,956	\$ 335,787,864

The accompanying notes are an integral part of this statement

Statement of Activities
For the Fiscal Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 23,390,910	\$ 15,477,393	\$ 3,317,117	\$ -	\$ (4,596,400)	\$ -	\$ (4,596,400)
Public Safety	29,147,579	3,191,391	50,715	-	(25,905,473)	-	(25,905,473)
Transportation	9,413,918	399,628	14,280	1,676,427	(7,323,583)	-	(7,323,583)
Economic Environment	3,811,778	-	-	-	(3,811,778)	-	(3,811,778)
Mental And Physical Health	82,097	-	-	-	(82,097)	-	(82,097)
Culture And Recreation	5,858,268	644,426	537,167	-	(4,676,675)	-	(4,676,675)
Interest On Long Term Debt	3,594,158	-	-	-	(3,594,158)	-	(3,594,158)
Total Governmental Activities	75,298,708	19,712,838	3,919,279	1,676,427	(49,990,164)	-	(49,990,164)
BUSINESS-TYPE ACTIVITIES							
Water/Sewer	27,549,466	28,305,004	25,745	94,310	-	875,593	875,593
Solid Waste	9,086,569	8,592,413	52,943	-	-	(441,213)	(441,213)
Storm And Surface Water	5,472,378	4,813,089	593,854	351,690	-	286,255	286,255
Total Business-Type Activities	42,108,413	41,710,506	672,542	446,000	-	720,635	720,635
Total Government	\$ 117,407,121	\$ 61,423,344	\$ 4,591,821	\$ 2,122,427	\$(49,990,164)	\$ 720,635	\$(49,269,529)

General Revenues:		Governmental Activities	Business-Type Activities	Total
Taxes				
Property Taxes, Levied For General Purposes		\$ 9,543,995	\$ -	\$9,543,995
Property Taxes, Levied For Debt Service		3,529,128	-	3,529,128
Utility, Business and Occupation Taxes		17,487,091	-	17,487,091
Sales and Other Taxes		18,931,717	-	18,931,717
Investment Earnings		98,718	33,904	132,622
Other		3,435,921	598,801	4,034,722
Transfers		290,285	(290,285)	-
Total General Revenues and Transfers		53,316,855	342,420	53,659,275
Change In Net Position		3,326,691	1,063,055	4,389,746
Net Position – Beginning		218,980,217	112,417,901	331,398,118
Net Position – Ending		\$ 222,306,908	\$ 113,480,956	\$335,787,864

The accompanying notes are an integral part of this statement

Balance Sheet - Governmental Funds
December 31, 2013

	General	H.U.D	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
ASSETS								
Cash And Cash Equivalents	\$ 20,454,423	\$ 118,966	\$ 6,792,060	\$ 189,661	\$ 2,891,740	\$ 2,414,926	\$ 6,920,946	\$39,782,722
Receivables								
Taxes	200,444	-	-	-	-	-	-	200,444
Customer Accounts	2,538,862	-	-	-	-	-	-	2,538,862
Special Assessments	-	-	-	-	-	-	3,023	3,023
Notes/Contract/Loans Receivable	122,704	105,823	-	-	-	-	-	228,527
Other Receivables	251,524	-	-	-	-	17,384	85,934	354,842
Other Governmental Units	410,585	-	-	-	-	526,999	65,989	1,003,573
Prepayments	189,661	-	-	-	-	-	-	189,661
Notes/Contract/Loans Receivable	2,401,097	5,851,022	-	-	-	-	19,735	8,271,854
Total Assets	26,569,300	6,075,811	6,792,060	189,661	2,891,740	2,959,309	7,095,627	52,573,508
LIABILITIES								
Accounts Payable	2,001,353	4	31,310	19,462	8,996	115,124	100,753	2,277,002
Wages Payable	1,866,147	2,662	-	-	23,174	28,112	3,505	1,923,600
Contracts Retainage Payable	138,090	-	-	-	18,320	21,432	351,564	529,406
Due To Other Governmental Units	-	5,755	-	-	-	-	-	5,755
Custodial Accounts	154,089	-	-	-	-	-	-	154,089
Other Current Liabilities	414,965	-	-	-	-	-	-	414,965
Unearned Revenue	2,581,070	5,956,846	-	-	-	-	22,758	8,560,674
Total Liabilities	7,155,714	5,965,267	31,310	19,462	50,490	164,668	478,580	13,865,491
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Court Receivables	2,413,453	-	-	-	-	-	-	2,413,453
Unavailable Revenue - Property Taxes	177,354	-	-	-	-	-	-	177,354
Unavailable Revenue - Grant Revenue	20,250	-	-	-	-	-	-	20,250
Total Deferred Inflows Of Resources	2,611,057	-	-	-	-	-	-	2,611,057
FUND BALANCE								
Nonspendable	194,911	-	-	-	-	-	-	194,911
Restricted	262,132	110,544	6,760,750	170,199	2,841,250	100,000	5,329,633	15,574,508
Committed	3,968,099	-	-	-	-	-	1,287,414	5,255,513
Assigned	6,110,654	-	-	-	-	2,694,641	-	8,805,295
Unassigned	6,266,733	-	-	-	-	-	-	6,266,733
Total Fund Balance	16,802,529	110,544	6,760,750	170,199	2,841,250	2,794,641	6,617,047	36,096,960
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 26,569,300	\$ 6,075,811	\$ 6,792,060	\$ 189,661	\$ 2,891,740	\$ 2,959,309	\$ 7,095,627	\$ 52,573,508

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, 2013**

Fund Balances - Total Governmental Funds	\$ 36,096,960
Capital assets not reported in the governmental funds	247,887,452
Investment in Joint Venture not reported in the governmental funds	934,932
Assets and liabilities of Internal Service funds not reported in governmental funds	9,815,254
Accrued Interest on GO Debt not reported in governmental funds	(211,226)
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	7,322,490
Deferred Inflows of Resources:	
Local court revenue receivable	2,413,453
Property tax receivable	177,354
Long term debt not reported in governmental funds	
Bonds and Notes	(68,707,489)
Loans and BANS	(1,046,777)
Public Works Trust Fund Loans	(3,909,699)
Compensated Absences	(4,298,306)
Net Pension Obligation and OPEB	(4,167,490)
Net Position of Governmental Activities	\$ 222,306,908

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, 2013**

	General	H.U.D	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
REVENUES								
Taxes	\$ 40,601,468	\$ -	\$ -	\$ 466,953	\$ 2,970,026	\$ 990,009	\$ 4,596,488	\$ 49,624,944
Licenses and Permits	3,818,982	-	-	-	-	-	-	3,818,982
Intergovernmental Revenues	2,216,484	-	-	-	-	1,035,632	1,702,795	4,954,911
Charges for Services	12,486,232	-	3,180,307	-	-	-	821,102	16,487,641
Fines and Forfeits	1,021,476	-	-	-	-	-	-	1,021,476
Miscellaneous Revenues	2,372,864	146,900	7,694	229	16,554	722,683	256,079	3,523,003
Total Revenues	62,517,506	146,900	3,188,001	467,182	2,986,580	2,748,324	7,376,464	79,430,957
EXPENDITURES								
Current:								
General Government Services	20,423,707	-	-	-	-	1,257,933	477,361	22,159,001
Security of Persons & Property	28,796,471	-	-	-	-	-	-	28,796,471
Transportation	3,918,089	-	-	-	-	32,080	-	3,950,169
Economic Environment	2,888,595	133,077	-	213,285	-	308	577,876	3,813,141
Mental and Physical Health	82,097	-	-	-	-	-	-	82,097
Culture and Recreation	4,310,226	-	-	-	684,874	819,541	-	5,814,641
Debt Service:								
Principal Retirement	-	-	-	-	2,500,000	-	3,180,409	5,680,409
Interest	-	-	-	-	21,816	-	3,577,445	3,599,261
Capital Outlays	3,628,577	-	-	-	-	4,942,004	297,896	8,868,477
Total Expenditures	64,047,762	133,077	-	213,285	3,206,690	7,051,866	8,110,987	82,763,667
Excess (Deficiency) of Revenues Over Expenditures	(1,530,256)	13,823	3,188,001	253,897	(220,110)	(4,303,542)	(734,523)	(3,332,710)
OTHER FINANCING SOURCES (USES)								
Transfers - In	4,673,704	-	-	-	-	4,825,411	2,545,852	12,044,967
Transfers - Out	(621,822)	-	(1,195,648)	(264,217)	(3,932,765)	(719,000)	(4,809,073)	(11,542,525)
Issuance of Debt	-	-	-	-	1,638,722	-	4,706,278	6,345,000
Premium on Issuance of Debt	-	-	-	-	261,278	-	506,034	767,312
Sale of Capital Assets	11,634	-	-	-	-	-	-	11,634
Total Other Financing Sources (Uses)	4,063,516	-	(1,195,648)	(264,217)	(2,032,765)	4,106,411	2,949,091	7,626,388
Net Change in Fund Balances	2,533,260	13,823	1,992,353	(10,320)	(2,252,875)	(197,131)	2,214,568	4,293,678
FUND BALANCE JANUARY 1	14,269,269	96,721	4,768,397	180,519	5,094,125	2,991,772	4,402,479	31,803,282
FUND BALANCE DECEMBER 31	\$ 16,802,529	\$ 110,544	\$ 6,760,750	\$ 170,199	\$ 2,841,250	\$ 2,794,641	\$ 6,617,047	\$ 36,096,960

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, 2013

Net Changes in Fund Balances - Total Governmental Funds	\$ 4,293,678
Repayment of bond principal is reported as an expenditure in governmental funds and as a reduction of debt in the statement of net position	5,680,409
Gain / (Loss) on Assets formerly not listed in Governmental Funds	(477,366)
(Increase) / Decrease in Compensated Absences not listed in Governmental Funds	(353,173)
Purchase of Capital Assets are treated as an expenditure in Governmental Funds	9,958,313
Donated Capital Assets not included in Fund Statements	640,795
Revenues not reported in Governmental Funds:	
Non-Exchange transactions not reported in the governmental funds	(84,593)
Deferred Revenue - court receivables	(1,615,261)
Deferred Revenue - property and other taxes	(48,419)
Internal service funds net income is not reported in governmental funds	852,063
Depreciation of capital assets not reported in governmental funds	(7,291,702)
Long Term Debt Proceeds treated as revenue in governmental funds	(7,112,312)
Interest accrued on Governmental LT Debt not accrued on Governmental Statements	5,103
Change in Net Pension Obligation not treated as an expenditure in Governmental Funds	(1,120,844)
Change in Net Position of Governmental Activities	\$ 3,326,691

The accompanying notes are an integral part of this statement

Statement of Net Position - Proprietary Funds
December 31, 2013

	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	\$ 14,094,224	\$ 1,685,049	\$ 4,452,991	\$ 20,232,264	\$ 4,216,486
Receivables					
Customer Accounts	3,450,298	970,670	609,950	5,030,918	-
Other Receivables	246,057	131,760	-	377,817	-
Other Governmental Units	26,200	19,408	332,100	377,708	4,182
Inventories	141,308	-	-	141,308	200,548
Other Current Assets	1,650	-	-	1,650	79,183
Restricted Cash	1,260,733	-	-	1,260,733	481,226
Total Current Assets	19,220,470	2,806,887	5,395,041	27,422,398	4,981,625
Noncurrent Assets					
Capital Assets, Net	93,861,474	54,814	24,640,229	118,556,517	5,499,507
Total Noncurrent Assets	93,861,474	54,814	24,640,229	118,556,517	5,499,507
Total Assets	113,081,944	2,861,701	30,035,270	145,978,915	10,481,132
LIABILITIES					
Current Liabilities					
Accounts Payable	1,669,696	302,556	177,281	2,149,533	85,290
Contracts Retainage Payable	250,247	-	33,162	283,409	-
Matured Interest Payable	165,725	-	1,373	167,098	-
Due To Other Governmental Units	-	20,013	-	20,013	79,260
Custodial Accounts	777	-	-	777	-
Wages Payable	172,930	91,936	67,177	332,043	30,759
Other Current Liabilities	199,507	-	-	199,507	431,062
Compensated Absences (Current Portion)	278,039	239,306	131,124	648,469	39,507
Bonds, Notes And Loans Payable	1,582,665	-	49,794	1,632,459	-
Total Current Liabilities	4,319,586	653,811	459,911	5,433,308	665,878
Noncurrent Liabilities					
Bonds, Notes And Loans Payable	25,954,958	-	1,109,693	27,064,651	-
Total Noncurrent Liabilities	25,954,958	-	1,109,693	27,064,651	-
Total Liabilities	30,274,544	653,811	1,569,604	32,497,959	665,878
NET POSITION					
Net Investment in Capital Assets	67,818,753	54,814	23,480,742	91,354,309	5,499,507
Restricted For:					
Bond Reserve Fund	1,260,733	-	-	1,260,733	-
Workers Comp Reserve	-	-	-	-	481,226
Unrestricted (Deficit)	13,727,914	2,153,076	4,984,924	20,865,914	3,834,521
Total Net Position	\$ 82,807,400	\$ 2,207,890	\$ 28,465,666	\$ 113,480,956	\$ 9,815,254

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, 2013**

	Business-Type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility		
OPERATING REVENUES:					
Charges for Service	\$ 28,305,003	\$ 8,592,413	\$ 4,813,089	\$ 41,710,505	\$ 6,106,690
Intergovernmental Revenue	25,746	52,943	593,854	672,543	-
Miscellaneous Revenue	460,743	93,058	45,000	598,801	-
Total Operating Revenues	28,791,492	8,738,414	5,451,943	42,981,849	6,106,690
OPERATING EXPENSES:					
Operation and Maintenance	15,463,155	6,183,839	1,562,629	23,209,623	1,125,740
Administration and Overhead	4,944,417	1,889,205	2,658,304	9,491,926	3,147,357
Taxes	3,253,369	1,006,777	510,132	4,770,278	-
Depreciation and Amortization	3,108,387	6,748	703,677	3,818,812	996,178
Total Operating Expenses	26,769,328	9,086,569	5,434,742	41,290,639	5,269,275
Operating Income (Loss)	2,022,164	(348,155)	17,201	1,691,210	837,415
NON-OPERATING REVENUES (EXPENSES):					
Investment Earnings	24,065	2,740	7,099	33,904	7,506
Gain on Disposal of Capital Assets	59,108	-	-	59,108	-
Other Non-Operating Revenue (Expenses)	-	-	-	-	199,342
Interest Expense and Fiscal Charges	(839,246)	-	(37,636)	(876,882)	-
Total Non-Operating Revenues (Expenses)	(756,073)	2,740	(30,537)	(783,870)	206,848
Net Income (Loss) Before Contributions and Operating Transfers	1,266,091	(345,415)	(13,336)	907,340	1,044,263
Capital Contributions	94,310	-	351,690	446,000	-
Transfers - Out	(25,000)	(12,500)	(252,785)	(290,285)	(192,200)
Changes in Net Position	1,335,401	(357,915)	85,569	1,063,055	852,063
Net Position - Beginning	81,471,999	2,565,805	28,380,097	112,417,901	8,963,191
Net Position - Ending	\$ 82,807,400	\$ 2,207,890	\$ 28,465,666	\$ 113,480,956	\$ 9,815,254

The accompanying notes are an integral part of this statement

**Statement of Cash Flows - Proprietary Funds
For Year Ended December 31, 2013**

	Business-Type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers and Users	\$ 28,542,566	\$ 8,713,977	\$ 5,127,639	\$ 42,384,182	\$ 6,102,508
Cash Paid to Suppliers	(17,222,439)	(6,481,003)	(2,943,741)	(26,647,183)	(3,758,197)
Cash Paid to Employees	(2,953,263)	(1,642,772)	(1,176,454)	(5,772,489)	(498,635)
Cash Paid for Taxes	(3,252,592)	(1,006,777)	(510,132)	(4,769,501)	-
Non-Insurance Loss Recovery	-	-	-	-	12,215
Insurance Loss Recovery	-	-	-	-	24,186
Net Cash Provided (Used by Operating Activities)	5,114,272	(416,575)	497,312	5,195,009	1,882,077
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfers - Out	(25,000)	(12,500)	(252,785)	(290,285)	(192,200)
Net Cash Provided from Non-Capital Activities	(25,000)	(12,500)	(252,785)	(290,285)	(192,200)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from Sale of Capital Assets	59,108	-	-	59,108	206,107
Purchase of Capital Assets	-	-	-	-	(2,160,245)
Bond Proceeds	7,780,000	-	-	7,780,000	-
Bond Premium	663,094	-	-	663,094	-
Capital Grants	-	-	294,590	294,590	-
Loan Proceeds	4,654,630	-	-	4,654,630	-
Acquisition and Construction of Capital Assets	(10,840,260)	(12,690)	(1,091,791)	(11,944,741)	-
Payment of Bond Principal	(3,539,999)	-	-	(3,539,999)	-
Payment of Bond Interest	(648,767)	-	-	(648,767)	-
Payment of Other Debt Principal	(94,418)	-	(147,851)	(242,269)	-
Payment of Other Interest	(11,914)	-	(37,636)	(49,550)	-
Net Cash Provided by Capital and Related Financing Activities	(1,978,526)	(12,690)	(982,688)	(2,973,904)	(1,954,138)
CASH FLOW FROM INVESTING ACTIVITIES:					
Proceeds from Sale of Investments	-	-	-	-	2,002,750
Purchase of Investments	-	-	-	-	(1,501,810)
Interest on Investments	24,065	2,740	7,099	33,904	8,306
Net Cash Provided (Used) by Investing Activities	24,065	2,740	7,099	33,904	509,246
Net Increase in Cash and Cash Equivalents	3,134,811	(439,025)	(731,062)	1,964,724	244,985
Cash and Cash Equivalents, January 1	12,220,146	2,124,074	5,184,053	19,528,273	4,452,727
Cash and Cash Equivalents, December 31	\$ 15,354,957	\$ 1,685,049	\$ 4,452,991	\$ 21,492,997	\$ 4,697,712

The accompanying notes are an integral part of this statement

Statement of Cash Flows - Proprietary Funds (continued)
For Year Ended December 31, 2013

	Business-Type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility		
CASH PROVIDED BY OPERATING ACTIVITIES:					
Net Operating Income (Loss)	\$ 2,022,162	\$ (348,155)	\$ 17,201	\$ 1,691,208	\$ 837,415
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Depreciation	3,108,387	6,748	703,677	3,818,812	996,178
Allowance for Uncollectible Accounts	-	-	-	-	-
Other Non-Operating Revenues					36,401
(Increase) Decrease in Accounts Receivable	(275,427)	27,888	(22,696)	(270,235)	-
(Increase) Decrease in Other Receivables	27,701	(34,158)	735	(5,722)	(4,182)
(Increase) Decrease in Inventory	(4,810)	-	-	(4,810)	20,809
(Increase) Decrease in Other Current Assets	-	-	-	-	(20,681)
(Increase) Decrease in Due from Other Governments	(1,200)	(18,168)	(302,343)	(321,711)	-
Increase (Decrease) in Compensated Absences	(7,726)	(15,164)	9,670	(13,220)	4,367
Increase (Decrease) in Accounts Payable	248,908	(25,367)	88,794	312,335	(29,263)
Increase (Decrease) in Due to Other Governments	-	51	-	51	41,033
Increase (Decrease) in Other Current Liabilities	(3,723)	(10,250)	2,274	(11,699)	-
Total Adjustments	3,092,110	(68,420)	480,111	3,503,801	1,044,662
Net Cash Provided by Operating Activities	\$ 5,114,272	\$ (416,575)	\$ 497,312	\$ 5,195,009	\$ 1,882,077
CASH AND CASH EQUIVALENTS:					
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED AT DECEMBER 31					
Statement of Net Position:					
Cash and Residual Investments	\$ 14,094,224	\$ 1,685,049	\$ 4,452,991	\$ 20,232,264	\$ 4,216,486
Restricted Assets:					
Debt Service					
Cash and Residual Investments	1,260,733	-	-	1,260,733	-
Workers Compensation Surety					
Cash and Residual Investments	-	-	-	-	481,226
Cash and Cash Equivalents, December 31	\$ 15,354,957	\$ 1,685,049	\$ 4,452,991	\$ 21,492,997	\$ 4,697,712

SCHEDULE OF NON-CASH CAPITAL AND RELATED

FINANCING ACTIVITIES:

Contribution of capital assets	\$ 94,310	\$ -	\$ 57,100	\$ 151,410
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The accompanying notes are an integral part of this statement

Trust and Agency Statement of Fiduciary Net Position - Fiduciary Funds
December 31, 2013

	Firemens' Pension Plan	Private Purpose Trusts	Agency Funds
ASSETS			
Cash and Residual Investments	\$ 3,135,241	\$ 622,501	\$ 71,700
Investments - US Government Securities	1,275,639	853,338	-
Receivables (Net of Allowances):			
Accrued Interest	300	1,652	-
Due from Other Governmental Units	-	-	22,200
Total Assets	4,411,180	1,477,491	93,900
LIABILITIES			
Accounts Payable	2,868	56,200	1,128
Other Current Liabilities	-	-	14,628
Due to Other Governments	-	-	78,144
Total Liabilities	2,868	56,200	93,900
NET POSITION			
Held in Trust for Pension Benefits and Other Purposes	\$ 4,408,312	\$ 1,421,291	\$ -

The accompanying notes are an integral part of this statement

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For Year Ended December 31, 2013

	Employee Retirement Plans	Private Purpose Trusts
ADDITIONS		
Employer Contributions	\$ 1,091,700	\$ -
State Contributions		
Fire Insurance Premium Tax	82,175	-
Total Contributions	1,173,875	-
Investment Income	18,682	3,184
Net Investment Earnings	18,682	3,184
Total Additions	1,192,557	3,184
DEDUCTIONS		
Benefits	762,359	-
Administrative Expenses	-	106,979
Transfers	-	19,956
Total Deductions	762,359	126,935
CHANGE IN NET POSITION		
Net Position - Beginning of the Year	3,978,114	1,545,042
Net Position - End of the Year	\$ 4,408,312	\$ 1,421,291

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.

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.

In the process of consolidating government-wide financial statement of activities, interfund services provided are not eliminated.

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.

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. Loan Repayment Fund

H.U.D. block grants, H.U.D shelter grants, and H.U.D. section 312 funds are 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 fire 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 proprietary funds:

Water/Sewer Fund

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

Solid Waste Fund

The City Solid Waste 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.

Stormwater Fund

The City Stormwater 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 and other employee benefit trust fund is used to account for Firefighter's Pension. For additional information on the Firefighters Pension please see Note 7.B.

The agency fund accounts 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.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water/Sewer, Solid Waste and Stormwater 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.

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

Local Debt Fund 227

LTGO Parks Bond Fund 223

LTGO Hands on Children's Museum Bond Fund 228

UTGO Fire Bond Fund 224

LTGO WA Center, LED, Parks Bond Fund 229

City Hall Debt Fund 225

LTGO Street Bond Fund 226

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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 2013, there were several supplementary appropriations authorized by the City Council in the General Fund budget totaling \$9,451,622.

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, Liabilities, Fund Balance and Net Position

Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2013, the treasurer was holding \$65,973,431 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 No. 4.

Investments – (See Deposits and Investments Note No. 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, 2013, \$3,023 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- Debt Service \$1,260,733

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

Cash and Investments - Workers' Compensation Reserve..... \$481,226

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 to \$50,000 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 market value at the date of donation.

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

The 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:

<u>Type of Asset</u>	<u>Number of Years</u>
Buildings and Structures	20-30
Other Improvements	5
Machinery and Equipment	4-7
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 Talx UCM Services, to manage claims of the program. As of December 31, 2013 the Unemployment Compensation Fund had a fund balance of \$304,639 which is equal to approximately 18 maximum liability claims (26 weeks at \$624 per week).

Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

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

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:

Nonspendable:	Unavailable fund balance due to its form and legally or contractually required to remain intact.
Restricted:	Fund Balance that can only be used for specific purposes as stipulated by the constitution, external resource provider, or through enabling legislation.
Committed:	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.
Assigned:	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.
Unassigned:	Fund Balance available for use within the General Fund that has not met the requirements of 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, 2013 are listed below.

**FUND BALANCES:
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	H.U.D Loan Repayment	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
Fund Balance:								
Nonspendable:								
Pre-Payments	\$ 189,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,661
Loans Receivable	5,250	-	-	-	-	-	-	5,250
Total Nonspendable	194,911	-	-	-	-	-	-	194,911
Restricted for:								
Equipment and Facilities Reserve	-	-	-	-	-	-	76,730	76,730
Debt Service Reserve	-	-	-	-	-	-	121,747	121,747
HUD Housing Grants	-	110,544	-	-	-	-	54,516	165,060
Lodging & Tourism Benefit	-	-	-	170,199	-	-	-	170,199
Major Repairs & Maintenance	-	-	-	-	-	-	351,490	351,490
Parking Improvement	-	-	-	-	-	-	192,455	192,455
Parks & Roads Construction	-	-	6,760,750	-	-	100,000	-	6,860,750
Parks & Sidewalk Construction	-	-	-	-	2,841,250	-	-	2,841,250
Public Defense Improvements	20,250	-	-	-	-	-	-	20,250
Transportation Projects	-	-	-	-	-	-	4,163,109	4,163,109
WA Center for Performing Arts	87,793	-	-	-	-	-	366,061	453,854
Other Purpose	154,089	-	-	-	-	-	3,525	157,614
Total Restricted	262,132	110,544	6,760,750	170,199	2,841,250	100,000	5,329,633	15,574,508
Committed to:								
Debt Service	-	-	-	-	-	-	2,047	2,047
Equipment & Facilities Reserve	3,567,281	-	-	-	-	-	236,828	3,804,109
Municipal Arts	400,818	-	-	-	-	-	-	400,818
New City Hall	-	-	-	-	-	-	1,048,539	1,048,539
Total Committed	3,968,099	-	-	-	-	-	1,287,414	5,255,513
Assigned to:								
Facilities Repair Fund	1,336,300	-	-	-	-	-	-	1,336,300
Council Projects	250,000	-	-	-	-	-	-	250,000
Information Technology	200,000	-	-	-	-	-	-	200,000
Continuing Appropriations	3,910,474	-	-	-	-	2,694,641	-	6,605,115
Jail Remodel	88,880	-	-	-	-	-	-	88,880
Economic Development	325,000	-	-	-	-	-	-	325,000
Total Assigned	6,110,654	-	-	-	-	2,694,641	-	8,805,295
Unassigned:	6,266,733	-	-	-	-	-	-	6,266,733
Fund Balance Total:	\$16,802,529	\$110,544	\$6,760,750	\$170,199	\$2,841,250	\$2,794,641	\$6,617,047	\$36,096,960

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 \$247,887,452 are as follows:

Land	\$45,083,176
Construction in Progress	19,310,909
Buildings	95,840,336
Less: Accumulated Depreciation	(16,269,566)
Improvements other than buildings	26,765,086
Less: Accumulated Depreciation	(2,653,728)
Machinery and Equipment	8,298,299
Less: Accumulated Depreciation	(6,242,776)
Infrastructure	149,561,359
Less: Accumulated Depreciation	(71,805,643)
Net Adjustment to increase <i>fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u>\$247,887,452</u>

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

There have been no material violations of 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.

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	\$61,040,522
Bank Balance of Deposits	9,504,515
U.S. Government Investments	-
	<u>\$70,545,037</u>
Financial Statements	
Cash and Cash Equivalents	\$65,973,431
Investments	-
Fiduciary Cash	3,829,442
Bank account - Outstanding Items	766,927
Cash on Hand	(10,135)
Municipal Court Bank Account	(14,628)
	<u>\$70,545,037</u>

A. Deposits

The City’s bank balances of deposits and certificates of deposits at December 31, 2013 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 (except as noted below) 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. All temporary investments are stated at fair market value.

Investment Type	Maturities	Cost Amount	Fair Value
Investment in State Treasurer's Investment Pool	50 Days average	\$ 61,040,522	\$ 61,040,522
Total Investments		\$ 61,040,522	\$ 61,040,522

The City as of December 31, 2013, had \$61,040,522 in the LGIP, and was in compliance with all statutes pertaining to the investment of City monies. The fair value of the position in the investment pool is the same as the value of pool shares. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The State Treasurer created the LGIP Advisory Committee to provide advice on the operation of the pool. Of the twelve committee members, all of whom are active LGIP participants, eight members are appointed by participant associations, and four members are appointed by the State Treasurer. The LGIP Advisory Committee will meet at least quarterly; however, meetings may also be called at the discretion of the State Treasurer. As prescribed by RCW 43.09.050, the State Auditor will “audit the accounts” and “inspect the books” of the State Treasurer to determine the compliance of investment activities with state statutes and this policy. In addition, the LGIP will contract, through the State Auditor’s Office, for an outside independent audit of LGIP financial statements. The LGIP is not rated by an outside agency.

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. 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 two 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 2013 was \$2.4839 per \$1,000 on an assessed valuation of \$5,313,341,232 for a total regular levy of \$13,198,051.
- 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 2013 was \$0.216 per \$1,000.

NOTE 6 – CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

A. Capital Assets

Capital assets activity for the year ended December 31, 2013 is as follows:

Governmental Activities	Balance 01/01/13	Increases	Decreases	Balance 12/31/13
Capital assets, not being depreciated:				
Land	\$40,196,843	\$4,886,333	\$ -	\$45,083,176
Construction in progress	114,860,231	6,214,155	101,763,477	19,310,909
Total capital assets, not being depreciated	155,057,074	11,100,488	101,763,477	64,394,085
Capital assets, being depreciated:				
Buildings	20,660,338	75,179,998	-	95,840,336
Improvements other than buildings	13,117,504	13,647,582	-	26,765,086
Machinery and Equipment Govt.	8,761,103	220,516	683,320	8,298,299
Machinery and Equipment Int Svc	14,055,100	2,160,245	1,137,213	15,078,132
Machinery and Equipment Subtotal	22,816,203	2,380,761	1,820,533	23,376,431
Infrastructure	137,332,116	12,229,243	-	149,561,359
Total capital assets being depreciated	193,926,161	103,437,584	1,820,533	295,543,212
Less accumulated depreciation for:				
Buildings	15,692,061	577,505	-	16,269,566
Improvements other than buildings	2,572,913	80,815	-	2,653,728
Machinery and Equipment Govt.	5,746,199	702,531	205,954	6,242,776
Machinery and Equipment Int Svc	9,676,494	996,178	1,094,046	9,578,626
Machinery and Equipment Subtotal	15,422,693	1,698,709	1,300,000	15,821,402
Infrastructure	65,874,792	5,930,851	-	71,805,643
Total accumulated depreciation	99,562,459	8,287,880	1,300,000	106,550,339
Total capital assets, being depreciated, net	94,363,702	95,149,704	520,533	188,992,873
Governmental activities capital assets, net	\$249,420,776	\$106,250,193	\$102,284,010	\$253,386,959
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$2,523,629	\$ -	\$ -	\$2,523,629
Construction in Progress	22,393,719	11,955,245	4,486,488	29,862,476
Total capital assets, not being depreciated	24,917,348	11,955,245	4,486,488	32,386,105
Capital assets, being depreciated:				
Buildings	8,586,344	-	-	8,586,344
Improvements other than buildings	125,543,685	4,304,308	-	129,847,993
Machinery and equipment	2,602,632	323,089	45,587	2,880,134
Intangible assets	7,089,148	-	-	7,089,148
Total capital assets being depreciated	143,821,809	4,627,397	45,587	148,403,619
Less accumulated depreciation for:				
Buildings	5,376,818	216,447	-	5,593,265
Improvements other than buildings	47,927,764	3,232,085	-	51,159,849
Machinery and equipment	1,934,161	189,271	45,587	2,077,845
Intangible assets	3,221,237	181,011	-	3,402,248
Total accumulated depreciation	58,459,980	3,818,814	45,587	62,233,207
Total capital assets, being depreciated, net	85,361,829	808,583	-	86,170,412
Business-type activities capital assets, net	\$110,279,177	\$12,763,828	\$4,486,488	\$118,556,517

The amount of the decrease in the “Capital assets, being depreciated” categories of Machinery and Equipment for both the Government and Internal Service Funds are 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 are as follows:

Governmental Activities:	
General Government:	\$ 763,277
Security of Persons and Property	489,739
Transportation	5,940,697
Culture and Recreation	97,989
Internal Service Funds	996,178
Total Depreciation/Amortization – Governmental Activities	\$ 8,287,880
Business-Type Activities:	
Drinking Water/ Wastewater Utility	\$ 3,108,387
Waste Resources Utility	6,748
Storm and Surface Water Utility	703,677
Total Depreciation/Amortization – Business-Type Activities	\$ 3,818,812

B. Construction Commitments

The City has active construction projects as of December 31, 2013. The project listing below represents the major projects underway. There are a number of smaller projects with costs accumulating from city staff project planning and review time as well as professional services and construction contracts.

At year-end the City’s commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Energy Conservation - LED Lighting & Solar Panels	2,014,594	3,561,013
McAllister Wellfield Projects	1,786,709	2,787,511
Automated Meter Reader Services	2,461,851	1,780,160
Washington Center for Performing Arts Exterior Repairs	2,943,553	477,079
2013 Pavement Preservation	214,812	185,175
West Bay Lift Station Upgrade	1,172,680	96,599
Pacific Ave. Stormwater Treatment Facility	475,337	82,005
Total Commitments	\$11,069,536	\$8,969,542

NOTE 7 – PENSION PLANS

A. Multiple Employer Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, Accounting for Pensions by State and Local Government Employers and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3.

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. Approximately 49% of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

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

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

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

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. The monthly benefit is 2% of the average final compensation (AFC) per year of service, but the benefit may not exceed 60% of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2% of the AFC for each year of service reduced by 2% for each year that the member's age is less than 55. The total benefit is limited to 60% of the AFC and is actuarially reduced to reflect the choice of a survivor

option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

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

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

- With a benefit that is reduced by 3% for each year before age 65; or.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

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

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

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

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

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

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

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3% for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5% for each year before age 65.

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

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

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

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

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

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

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and at 7.5 % for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5% to 15%, based on member choice.

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

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21%
Employee	6.00%****	4.92%****	***

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only. Variable from 5.0% minimum to 15.0% maximum.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%	9.21%	9.21%
Employee	12.26%	12.30%	7.50%**

- * The employer rates include the employer administrative expense fee currently set at 0.18%.
- ** Plan 3 defined benefit portion only. Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$41,637	\$1,647,658	\$221,939
2012	\$48,110	\$1,506,742	\$190,479
2011	\$49,667	\$1,288,808	\$167,338

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

Plan Description

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

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

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

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

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

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

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

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50% of the FAS, plus 5% of FAS for each eligible surviving child, with a limitation on the combined allowances of 60% of the FAS; or (2) If no eligible spouse, eligible children receive 30% of FAS for the first child plus 10% for each additional child, subject to a 60% limitation of FAS, divided equally.

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

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

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

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2% of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive

reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3% for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

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

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

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

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

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

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

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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total	27,784

Funding Policy

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS' Fiscal Year 2013, the state contributed \$54.2 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%
Employee	0.00%	8.41%
State	N/A	3.38%

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

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

	LEOFF Plan 1	LEOFF Plan 2
2013	\$ 462	\$ 793,632
2012	\$ 910	\$ 761,751
2011	\$ 699	\$ 742,552

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS membership includes:

- Full-time 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
- Full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

Covered employers include the following:

- 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, Tacoma and Spokane; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, 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 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

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

PSERS members may retire with a monthly benefit of 2% of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

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 3% per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2% of the 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, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

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

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

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Nonvested	2,167
Total	4,337

Funding Policy

Each biennium, the state Pension Funding Council adopts PSERS Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, were as follows:

PSERS Plan 2	
Employer*	10.54%
Employee	6.36%

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

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

PSERS Plan 2	
2013	\$64,296
2012	\$48,349
2011	\$41,915

B. Single Employer Plan

FIREMENS' PENSION

Plan Description

The City is the administrator of the Firemens' Pension Plan which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 14.16 and 14.18. This plan provides retirement and disability benefits, annual cost-of-living adjustments, medical, and death benefits to plan members and beneficiaries. 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 Firemens' Pension Plan 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. There is no stand alone financial report for the plan.

Membership of the Firemens' Pension Plan consisted of the following at December 31, 2013, 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

Summary of Significant Accounting Policies

The Firemens' Pension Plan 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 Firemens' Pension Plan. The statement of net position and the statement of changes in 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.

Investments

As of December 31, 2013, the Firemans' Pension Plan had an investment portfolio with a fair value of \$1,275,639 which was invested in U.S. Governmental and Municipal Agencies on behalf of the Firemens' Pension Plan. In addition to these investments, the Plan had cash and cash equivalents invested in the City's internal investment pool totaling \$3,135,241. Investments in the City's internal investment pool are invested 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 market value.

The Fireman's Pension Plan investment policy is in line with the City's policy, which is found in Note 4.

Funding Policy

Under State law, the Firemens' Pension Plan 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 20 year (2000-2019) 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 Firemens' Pension Plan pension benefits.

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.

With the adoption of GASB 25 and 27, this cost method is not appropriate for GASB purposes (though it is still recommended for funding purposes). For GASB purposes, an entry age normal cost method is used. The NPO is assumed to be zero at transition to GASB 25 and 27. The UAL is amortized as a level dollar amount over a closed 30 year period, beginning January 1, 2000.

The Firemans' Pension Plan is a closed off plan (no new employees hired after March 1, 1970 are covered). The GASB disclosures make no special provision for reporting the cost of a closed off plan. Thus the minimum actuarial required contribution (ARC) disclosed for GASB purposes has no relationship to the City's funding policy for the Firefighter's Pension Plan. The Plan is partially funded through a tax levied by the State of Washington on fire insurance premiums. The revenue received through this tax amounted to \$82,175 in 2013.

Annual Pension Costs and Net Pension Obligation

The City's annual pension cost and net pension obligation for the years ended December 31st were as follows:

	Schedule of Fire Pension Fund Annual Pension Cost and Net Pension Obligation		
	Fiscal Year Ending		
	12/31/2011	12/31/2012	12/31/2013
Annual required contribution (ARC)			
1. Annual Normal Cost (BOY)	\$ -	\$ -	\$ -
2. Amortization of UAAL (BOY)	195,368	114,686	114,686
3. Interest to EOY [(1)+(2)]*(i)*	7,815	4,587	4,587
4. ARC at EOY [(1)+(2)+(3)]	\$203,183	\$119,273	\$119,273
5. Interest on NPO	\$(17,229)	\$(20,649)	\$(38,721)
6. Adjustment to ARC	(32,716)	(40,801)	(79,880)
7. Annual pension cost [(APC)] [(4)+(5)-(6)]	\$218,670	\$139,425	\$160,432
8. Employer Contributions***	304,163	591,221	666,742
9. Change in NPO [(7)-(8)]	(85,493)	(451,796)	(506,310)
10. NPO at BOY [(11) prior year]	\$(430,728)	\$(516,221)	\$(968,017)
11. NPO at EOY [(9)+(10)]	\$(516,221)	\$(968,017)	\$(1,474,327)

* 'i' is the assumed interest rate that year: 4.0% in 2011, 4.0% in 2012, 4.0% in 2013.

*** Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

The City's three year trend for the years ended December 31st were as follows:

Schedule of Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2011	\$218,670	139%	\$(516,221)
December 31, 2012	139,425	424	(968,017)
December 31, 2013	160,432	416	(1,474,327)

Funded Status and Funding Progress.

As of January 1, 2012, the most recent actuarial valuation date, the funded status of the plan was as follows:

Firemen's Pension Plan - Schedule of Funding Progress (rounded to thousands)						
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage of Covered Payroll
January 1, 2001	\$ 1,545	\$ 4,095	\$ 2,550	38 %	\$ 69	3,696 %
January 1, 2002	1,551	4,628	3,077	34	69	4,459
January 1, 2004	1,493	4,855	3,362	31	-	N/A
January 1, 2006	1,714	5,134	3,420	33	-	N/A
January 1, 2008	2,517	5,682	3,165	44	-	N/A
January 1, 2010	3,153	5,822	2,669	54	-	N/A
January 1, 2012	3,625	5,076	1,451	71	-	N/A

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial Procedures and Assumptions

The City of Olympia contracts with Milliman for the actuarial valuation of its Firefighters Pension Plan and 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, 2012
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	30-year, closed as of January 1, 1999
Remaining Amortization Period:	17 Years
Asset Valuation Method:	Fair market value

Actuarial Assumptions:	
Investment Rate of Return:	4.0%
Projected Salary Increases:	3.75%
Inflation:	2.75%
Age of Retirement:	65
Cost-of-living Adjustments:	Based upon salary increase assumption when appropriate.

The Annual Development of Pension costs for the years ending December 31st were as follows:

Schedule of Annual Development of Pension Cost											
Fiscal Year Ending	ARC at EOY	Interest on NPO	ARC Adjustment	Annual Pension Cost (APC)	Total Employer Contributions	Change in NPO	NPO 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)
12/31/2007	265,606	36,578	50,098	252,086	494,790	(242,704)	422,359	(229,184)	13.2752	50,098	422,359
12/31/2008	248,881	21,118	31,374	236,625	496,028	(259,403)	162,956	(249,147)	13.4622	31,374	162,956
12/31/2009	248,881	8,148	12,453	242,576	507,153	(264,577)	(101,621)	(260,272)	13.0853	12,453	(101,621)
12/31/2010	203,183	(4,065)	(7,440)	206,558	535,665	(329,107)	(430,728)	(332,482)	13.6593	(7,440)	(430,728)
12/31/2011	203,183	(17,229)	(32,716)	218,670	304,163	(85,493)	(516,221)	(100,980)	13.1657	(32,716)	(516,221)
12/31/2012	119,273	(20,649)	(40,801)	139,425	591,221	(451,796)	(968,017)	(471,948)	12.6523	(40,801)	(968,017)
12/31/2013	119,273	(38,721)	(79,880)	160,432	666,742	(506,310)	(1,474,327)	(547,469)	12.1184	(79,880)	(1,474,327)

* Based on a 30-year closed amortization as of January 1, 1999.

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 162 Members.

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

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

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

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

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

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

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

B. Property

The City of Olympia purchases property insurance for buildings, contents and other insurable assets through Factory Mutual Global Insurance. Year 2013 coverage extends to approximately \$211 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. 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 and are being repaid from the applicable resources. Revenue bonds are being repaid by proprietary fund revenues. 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 12/31/2013
General Obligation Bonds					
2006 Parks	\$ 9,385,000	1,234 - 1,091	2016	5.00	\$ 3,255,000
2009A City Hall LTGO	\$ 2,400,000	318 - 322	2019	4.199	\$ 1,685,000
2009B City Hall BABs	\$ 32,810,000	2,099 - 3,303	2039	4.199	\$ 32,810,000
2009 Fire Dept Station & Training Center	\$ 16,180,000	1,190 - 1,195	2029	4.035	\$ 13,830,000
2010 Streets Projects LTGO	\$ 5,865,000	434 - 437	2029	5.00	\$ 5,065,000
2010B HOCCM LTGO	\$ 5,670,000	291 - 563	2028	4.250	\$ 5,150,000
2013 WA Center, LED, and Parks LTGO	\$ 6,345,000	165 - 560	2032	5.00	\$ 6,140,000
Total General Obligation Bonds					\$ 67,935,000

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2014	2,790,000	3,540,799
2015	2,910,000	3,427,274
2016	3,030,000	3,307,624
2017	1,975,000	3,177,224
2018	2,060,000	3,096,149
2019-2023	13,210,000	13,957,193
2024-2028	16,005,000	10,515,036
2029-2033	11,230,000	6,815,206
2034-2038	12,005,000	3,303,829
2039-2043	2,720,000	177,590
Total	\$67,935,000	\$51,317,924

Revenue bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2013
Revenue Bonds					
2007 Waterworks	8,000,000	240 - 610	2027	4.00-4.125	6,355,000
2010 Waterworks	6,485,000	475 - 480	2030	3.45	5,765,000
2013 Water/ Sewer	7,780,000	650 - 910	2023	4.10	7,780,000
Total Revenue Bonds					\$19,900,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31,	Business Type Activities	
	Principal	Interest
2014	1,225,000	816,944
2015	1,290,000	752,631
2016	1,330,000	710,531
2017	1,385,000	659,981
2018	1,430,000	611,981
2019-2023	8,120,000	2,095,655
2024-2028	4,220,000	688,238
2029-2033	900,000	59,500
Total	\$19,900,000	\$6,395,461

Loans currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2013
State of Washington Trust Fund Loans					
4th Avenue Bridge	6,049,030	360,377	2020	1.00	2,522,640
4th Avenue Bridge	3,111,250	173,382	2021	1.00	1,387,059
Sleater-Kinney Sewer	1,808,375	57-62,000	2028	3.00	1,379,194
Subtotal State of Washington Trust Fund Loans					\$5,288,893
Other Loans					
Local Program Energy Savings	1,534,496	68-171,000	2020	2.97	1,046,777
DOE Septic Conversion Assistance Program	250,000	100-900	2031	2.90	98,253
Yauger Park Stormwater	1,214,018	6-41,000	2031	3.10	1,159,487
DWSRF McAllister Wellfield Development	6,060,000	N/A*	2034	1.50	1,797,651
DWSRF McAllister Wellfield Transmission Pipeline	4,811,640	N/A*	2034	1.50	3,698,519
Subtotal Other Loans					\$7,800,687
Loans Total					\$13,089,580

* 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
2014	\$682,035	\$62,167	\$407,458	\$125,842	\$1,089,493	\$188,009
2015	686,473	53,259	409,048	119,867	1,095,521	173,126
2016	691,044	44,217	410,684	113,845	1,101,728	158,062
2017	695,752	35,039	412,368	107,776	1,108,120	142,815
2018	700,600	25,720	414,102	101,656	1,114,702	127,376
2019-2023	1,500,571	23,765	2,098,369	414,637	3,598,940	438,402
2024-2028	-	-	2,150,087	253,279	2,150,087	253,279
2029-2033	-	-	1,569,267	92,256	1,569,267	92,256
2034-2038	-	-	261,722	3,926	261,722	3,926
Total	\$4,956,475	\$244,167	\$8,133,105	\$1,333,084	\$13,089,580	\$1,577,251

In proprietary funds bonds are displayed net of premium or discount and annual interest expense is decreased by amortization of debt premium and increased by the amortization of the debt discount.

At December 31, 2013, the City has \$123,794 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,260,733 in reserves as required by bond indentures.

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 special assessment bonds are met by assessments levied against property owners. The City has no financial obligation for defaults by property owners on special assessment debt except for insuring the funding of the Guaranty Fund. 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, \$5,313,341,232, 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, 2013 the available debt limit is as follows:

	Debt Limit	Applicable Debt
General Purpose Debt Limit without a vote of the people (1.5%)	\$79,700,118	\$55,806,476
General Purpose Debt Limit with a vote of the people (1.0%)	53,133,412	13,830,000
Utility Purpose Debt Limit with a vote of the people (2.5%)	132,833,531	-
Open Space, Park, and Capital Facilities Debt Limit with a vote of the people (2.5%)	132,833,531	3,255,000
	\$398,500,592	\$72,891,476

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, 2013. Amounts listed include principal and interest.

Year Ending December 31,	Bonds	Other Loans	Trust Fund Loans	Total
2014	8,372,743	612,739	664,764	9,650,246
2015	8,379,905	608,813	659,833	9,648,551
2016	8,378,155	604,888	654,903	9,637,946
2017	7,197,205	600,962	649,972	8,448,139
2018	7,198,130	597,036	645,042	8,440,208
2019	7,208,280	593,110	640,112	8,441,502
2020	7,224,130	500,043	635,181	8,359,354
2021	7,883,201	406,977	269,874	8,560,052
2022	7,633,663	403,051	95,164	8,131,878
2023	7,433,574	399,125	94,704	7,927,403
2024	6,486,154	395,199	94,245	6,975,598
2025	6,478,782	391,273	93,785	6,963,840
2026	6,472,825	387,347	93,325	6,953,497
2027	6,464,833	383,422	92,865	6,941,120
2028	5,525,680	379,497	92,407	5,997,584
2029	5,210,359	375,571	-	5,585,930
2030	3,546,996	371,644	-	3,918,640
2031	3,538,921	367,719	-	3,906,640
2032	3,494,359	277,016	-	3,771,375
2033	3,214,071	269,574	-	3,483,645
2034	3,166,077	265,649	-	3,431,726
2035	3,117,193	-	-	3,117,193
2036	3,062,114	-	-	3,062,114
2037	3,010,810	-	-	3,010,810
2038	2,952,635	-	-	2,952,635
2039	2,897,590	-	-	2,897,590
Total	\$145,548,385	\$9,190,655	\$5,476,176	\$160,215,216

C. Current Portion of Long Term Liabilities

The following table displays the portion of each debt instrument that is due within one year of the statement date of December 31, 2013:

State of Washington Trust Fund Loans	
4th / 5th Ave Corridor	533,759
Sleater Kinney Sewer Project	91,947
Subtotal State of Washington Trust Fund Loans	<u>\$625,707</u>
State of Washington Local Loans	
Yauger Park Project	\$49,794
LOCAL Program Energy Savings	148,276
DWRSF McAllister Loans	261,722
DOE Septic Connection Assistance Loan	3,996
Subtotal State of Washington Local Loans	<u>\$463,788</u>
Revenue Bonds	
2007 Waterworks	325,000
2010 Waterworks	250,000
2013 Water/Sewer Bond	650,000
Subtotal Revenue Bonds	<u>\$1,225,000</u>
General Obligation Bonds	
2006 Parks CIP	\$1,035,000
2009A City Hall LTGO	255,000
2009 Fire Stn Construction LTGO	635,000
2010 Streets Projects LTGO	240,000
2010B HOCM LTGO	205,000
2013 WA Center, LED, and Parks LTGO	420,000
Subtotal General Obligation Bonds	<u>\$2,790,000</u>
Total Principal amount due within one year	<u><u>\$5,104,495</u></u>

D. Changes in Long-Term Liabilities

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Balance 1/1/2013	Additions	Retirements	Balance 12/31/2013	Due Within One Year
Business - Type Activities					
Revenue Bonds	\$15,660,000	\$7,780,000	\$3,540,000	\$19,900,000	\$1,225,000
Premium	49,897	663,094	19,291	693,700	68,612
Discount	(171,361)	-	(141,668)	(29,693)	(2,186)
Total Bonds Payable	15,538,536	8,443,094	3,417,623	20,564,007	1,291,426
WA State Trust Fund Loans	1,570,619	0	191,425	1,379,194	91,947
LOCAL Loans	2,147,252	4,657,502	50,844	6,753,910	53,790
Compensated Absences	661,688	949,789	963,008	648,469	648,469
Subtotal	\$19,918,095	\$14,050,385	\$4,622,900	\$29,345,580	\$2,085,632
Governmental Activities					
G.O. Bonds	\$64,080,000	\$6,345,000	\$2,490,000	\$67,935,000	\$2,790,000
Premium	-	767,312	19,675	747,637	68,612
Total Bonds Payable	64,080,000	7,112,312	2,509,675	68,682,637	2,858,612
Special Assessment Notes	37,535	-	12,683	24,852	-
Other Loans	3,690,745	-	2,643,968	1,046,777	148,276
WA State Trust Fund Loans	4,443,458	-	533,759	3,909,699	533,759
OPEB payable	4,014,663	2,731,873	1,104,719	5,641,817	-
Compensated Absences	3,980,273	3,445,710	3,088,170	4,337,813	3,077,908
Subtotal	\$80,246,674	\$13,289,895	\$9,892,974	\$83,643,595	\$6,618,555
Total	\$100,164,769	\$27,340,280	\$14,515,874	\$112,989,175	\$8,704,187

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 \$39,507 of internal service funds compensated absences are included in the above amounts. 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 \$3,038,401 and \$648,469 respectively. The General Fund and Firemen's Pension Fund provides funding for the payment of the benefits related to the Other Post-Employment Benefits (OPEB), for further information related to OPEB see Note 17 Postemployment Benefits Other than Pension Benefit.

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, 2013 the city has no arbitrage rebate liability.

NOTE 10 - LEASES

Operating Leases

The City leases office buildings and a parking lot under noncancelable operating leases. Total cost for such leases was \$42,038 for the year ended December 31, 2013. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Amount
2014	101,438
2015	101,438
2016	101,438
2017	79,400
2018 - 2022	159,400
2023 - 2027	100,000
2028 - 2032	100,000
2033 - 2037	100,000
2038 - 2042	100,000
2043 - 2047	100,000
2048 - 2050	40,000

Capital Leases

The City has no capital lease agreements.

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. New City Hall

In 2009 the City purchased property for the construction of the new city hall building. At the time of the purchase, it was known to contain contaminated soil. Cost of the cleanup was factored into the cost of construction. The active site remediation was completed in 2013, including all required ground water monitoring. Costs of the remediation are part of the capitalized cost of the construction project except for those reimbursements received through grants. The city spent approximately \$8,406,000 on the remediation and has been reimbursed approximately \$3,775,000 from the Department of Ecology. The final process for getting the City Hall site removed from the Hazardous Sites List should be completed in 2014.

2. Hands on Children's Museum

In 2010 the city purchased property from the Port of Olympia as part of the Hands on Children's Museum construction project. When purchased, it was known that contamination existed on the property. As part of the construction process, the site was 100% remediated. Costs of the remediation are part of the capitalized cost of the construction project except for those reimbursements received through grants. The city spent approximately \$804,000 on the remediation and was reimbursed approximately \$402,037 from the Department of Ecology, LOTT, and the Port of Olympia. The Department of Ecology will not issue a "No Further Action" determination at this time, since the site is only one piece of the overall Port of Olympia clean-up project. The City's responsibility for the site-clean up has been met and no further action is necessary.

3. Parking Lot – State Avenue

In 2008 the city purchased property for the State Department of Transportation (DOT) to develop a parking lot. The site was known to contain contamination. The purchase and sale agreement called for the City to clean up the site and be reimbursed by the DOT for all costs up to the amount of the land purchase, \$1,284,462. The site is nearly completely remediated and the DOT has reimbursed the city for most of the costs to date, \$1,272,149.34. There are still funds remaining from the sale to cover certain future anticipated costs incurred by the City. Any costs in excess of the amount available from the purchase price will become part of the capitalized cost of the construction project.

4. Percival Landing / Tank Farm

In 1989 the city acquired property that is adjacent to Percival Landing which had previously been used as a tank farm by a major oil company. As part of the Percival Landing Rehabilitation Phase 1 project, a certain amount of contamination from the acquired property was in need of remediation, on the northern portion of the site. Costs of remediation have been capitalized through the project and the project is complete. The city has spent approximately \$1,157,000 on the remediation and has not received any reimbursements. The Department of Ecology reviewed the work completed in Phase 1, and issued a “No Further Action Required” letter for the northern site.

The southern portion of the site contains contaminated soil, and the City has developed a remediation plan for the Department of Ecology’s review. 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 working with the Department of Ecology and is under no current obligation for immediate remediation action on the southern site.

5. Parking Lot – Columbia Street

In 2008 the city sold property to a development company for the purpose of building market rate housing in the downtown area. The site had been the former location of a service station and there was known contamination at the site. The proceeds of the sale were deposited into an escrow account to be used to pay for the eventual cleanup of a portion of the property with the city and the developer to split costs in excess of that amount up to an amount of \$493,000 for the city’s contribution. If contamination is discovered beyond the property boundary that needs to be remediated, that remediation is the responsibility of the city to clean up. As of the date of this report, the developer has yet to proceed on the project. Due to the uncertain nature of the completion of a cleanup plan by the developer and the unknown timing of any additional cleanup by the city, the city has not accrued any liability on the Entity-Wide Statement of Net Position. Over time the city may accrue a liability as the components become more estimable.

6. 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 spent approximately \$1,325,275 on remediation, and received approximately \$694,000 in reimbursements from a Department of Ecology grant and \$717,423.58 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 may still contain contaminated soil, and the City has started testing on the site. 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.

7. 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 also completed lead and asbestos surveys on the buildings located on the property. Both building tests confirmed asbestos and lead, abatement is estimated at \$544,000. The City is currently in the planning states for the abatements and 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.

NOTE 12 – RESTRICTED NET POSITION

The government-wide statement of net position reports \$17,511,380 of restricted net position, of which \$9,296,332 is restricted by enabling legislation. The remaining \$8,215,048 is restricted by other legally binding contracts. Restricted net position details for the year ended December 31, 2013 are listed in the following chart:

Restricted Net Position			
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Restricted by Enabling Legislation:			
Impact Fees	\$ 6,760,750	\$ -	\$ 6,760,750
Debt Services	121,747	1,260,733	1,382,480
SEPA Mitigation	825,289	-	825,289
Lodging Tax	170,199	-	170,199
Boating Safety, Seizure and Forfeitures, Other	157,614	-	157,614
Subtotal of Restricted by Enabling Legislation	8,035,599	1,260,733	9,296,332
Restricted by Other Legal Means:			
Transportation, Parking, And Parks	\$6,471,525	\$0	\$6,471,525
Workers Comp Reserve	481,226	-	481,226
Capital Projects	326,673	-	326,673
Prepaid Items and Habitat for Humanity Loan	194,911	-	194,911
HUD Programs	165,061	-	165,061
Farmers Market	101,547	-	101,547
Washington Center	453,855	-	453,855
Public Defense Improvements	20,250	-	20,250
Subtotal of Restricted by Other Legal Means	8,215,048	-	8,215,048
TOTAL RESTRICTED NET POSITION	\$16,250,647	\$1,260,733	\$17,511,380

NOTE 13 - INTERFUND TRANSFERS

Interfund transfers at December 31, 2013 are listed below.

During the year, the majority of the transfers are used to move revenues 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 are inconsistent with the activities of the fund making the transfer.

TRANSFERS IN	TRANSFERS OUT												
	Fund Types	Special Revenue Funds					Capital Project Funds	Enterprise Funds					Total Transfers In
		General Fund	H.U.D.	Impact Fee Fund	Lodging Tax Fund	Parks & Recreation Utility Tax Fund	Capital Improvement Fund	Other Governmental Funds	Water/Sewer Funds	Solid Waste Funds	Stormwater Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$234,217	\$ -	\$719,000	\$3,337,331	\$25,000	\$12,500	\$133,500	\$192,200	\$19,956	\$4,673,704
Capital Project Funds													
Capital Improvement Fund	275,000	-	760,540	-	2,594,832	-	1,075,754	-	-	119,285	-	-	4,825,411
Other Governmental Funds	346,822	-	435,108	30,000	1,337,933	-	395,988	-	-	-	-	-	2,545,852
Total Transfers Out	\$621,822	-	\$1,195,648	\$264,217	\$3,932,765	\$719,000	\$4,809,073	\$25,000	\$12,500	\$252,785	\$192,200	\$19,956	\$12,044,967

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, 2013, the receivables from other governmental units consisted of the following:

Governmental Funds		
General Fund		
Medic I reimbursement	364,830	
Lacey Fire Department	28,995	
Federal Department of Justice	13,559	
Thurston County Fire District	1,941	
Thurston County Regional Planning Council	788	
Tumwater Fire Department	<u>472</u>	
		\$ 410,585
Special Revenue Funds		
Federal Housing and Urban Development	<u>65,989</u>	
		65,989
Capital Project Funds		
WA Department of Transportation	520,809	
WA Department of Ecology	<u>6,190</u>	
		526,999
Business-Type Funds		
Enterprise Funds		
Department of Ecology	351,508	
City of Lacey and Public Utility District	26,200	
Internal Service Funds		
Department of Enterprise Services	<u>4,182</u>	
		381,890
Total Receivables		<u><u>\$1,385,463</u></u>

B. Current and Non-Current Long-Term Receivables

At December 31, 2013, the receivables from current and long-term notes, contracts, and loans receivable consisted of the following:

General Fund	Current	Non-Current	Total
Habitat for Humanity	\$8,900	\$5,250	\$14,150
Special Revenue Funds			
Deferred Loans Receivable			
HUD Downtown Housing	113,804	2,395,847	2,509,651
HUD Block/Shelter Grant	105,823	5,851,022	5,956,845
Subtotal - Special Revenue Funds	<u>219,627</u>	<u>8,246,869</u>	<u>8,466,496</u>
Total Long Term Receivables	<u>\$228,527</u>	<u>\$8,252,119</u>	<u>\$8,480,646</u>

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. As of December 31, 2013, the City of Olympia had a 22.72% share of the equity. Net Position as of December 31, 2013, were \$3,840,244. 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 \$872,503.

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 special revenue 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, 2013, the City of Olympia has a 41.00% share of the equity. Net Position as of December 31, 2013, were \$153,268. 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 \$62,430.

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 2013, the City of Olympia received \$365,793 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.

NOTE 16 – UTILITY RATES

A. Solid Waste:

During 2013, basic residential garbage rates consisted of \$8.13 for one 20 gallon can service. The basic commercial rate for one 10 gallon can service was \$5.95.

B. Drinking Water:

During 2013 basic monthly single family and duplex residential rates consisted of a \$9.20 ready to serve rate.

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

Block 1 (0 - 500 cubic feet):\$1.51 per 100 cubic feet of water consumed.

Block 2 (501 - 1000 cubic feet):\$2.29 per 100 cubic feet of water consumed.

Block 3 (1001 - 1500 cubic feet):\$4.01 per 100 cubic feet of water consumed.

Block 4 (1501+ cubic feet):\$5.27 per 100 cubic feet of water consumed.

The Water General Facility Charge (GFC) was \$3,209. The GFC is charged for a new hook-up to the system.

C. Wastewater:

During 2013 the local collection charge was billed \$18.54 per ERU. The Sewer General Facility Charge (GFC) was billed \$3,199 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 2013, the rate for single family residences and duplexes was \$11.21 and \$22.42 per month respectively. Accounts other than single family and duplex are charged an \$10.98 administrative fee plus \$4.13, \$8.63, and \$10.88 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, 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 71 retirees are eligible for benefits under this act. As of December 31, 2013, 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.

Post employment health care benefits are paid on a pay as you go basis. Expenses related to the participating retirees who are covered under the Firemens' Pension Fund totaled \$507,133 in 2013. The benefits paid to the remaining participants (Police Officers and Firemen not covered under the Firemen's Pension Fund) were remitted out of the General Fund and totaled \$596,892.

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:

Schedule of Annual OPEB Cost and Net OPEB Obligation		
	Fiscal Year Ending	
	12/31/2013 Police	12/31/2013 Fire
ANNUAL REQUIRED CONTRIBUTIONS (ARC)		
1. Annual Normal Cost (BOY)	\$ 60,608	\$ 37,142
2. Amortization of UAAL (BOY)	1,388,911	1,304,274
3. Interest to EOY [(1)+(2)]*(i)*	57,981	53,657
4. ARC at EOY [(1)+(2)+(3)]	507,500	1,395,073
5. Interest on NOPEBO	37,332	123,255
6. Adjustment to ARC	77,015	254,272
7. Annual OPEB cost [(APC)] [(4)+(5)-(6)]	1,467,817	1,264,056
8. Employer Contributions	598,608	506,111
9. Change in NOPEBO [(7)-(8)]	869,209	757,945
10. NOPEBO at BOY [(11) prior year]	933,296	3,081,367
11. NOPEBO at EOY [(9)+(10)]	\$ 1,802,505	\$ 3,839,312

* 'i' is the assumed interest rate that year: 4.0% in 2013

The City's percentage of annual OPEB costs contributed for each plan for the years ended December 31st were 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, 2012	\$ 1,507,500	38%	\$ 933,296
	December 31, 2013	1,467,817	41	1,802,505
Fire	December 31, 2011	\$ 1,154,708	44%	\$ 2,297,715
	December 31, 2012	1,305,377	40	3,081,367
	December 31, 2013	1,264,056	40	3,839,312

* Separate review of the Police OPEB began in 2012, prior year analysis is not currently available.

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
Fire	January 1, 2008	\$ -	\$ 11,622	\$ 11,622	- %	N/A	N/A
	January 1, 2010	-	15,055	15,055	-	N/A	N/A
	January 1, 2012	-	16,502	16,502	-	N/A	N/A

* Separate review of the Police OPEB began in 2012, prior year analysis is not currently available.

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, 2012
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:	17 Years

Actuarial Assumptions	
Investment Rate of Return:	4.0 %
Medical Trend:	
2012	7.0 %
2013	7.5 %
2014	6.2 %
2015	5.8 %
2016-2023	5.7 %
2024-2034	5.6 %
Dental Trend	Minimum of 5.5% and Medical Inflation
Long-Term Care Inflation Rate:	4.75 %

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	12.6523	\$ -	\$933,296
	12/31/2013	1,507,500	37,332	77,015	1,467,817	598,608	869,209	1,802,505	12.1184	77,015	1,802,505
Fire	12/31/2010	\$1,214,229	\$38,738	\$70,901	\$1,182,066	\$495,076	\$686,990	\$1,655,442	13.6593	\$70,901	\$1,655,442
	12/31/2011	1,214,229	66,218	125,739	1,154,708	512,435	642,273	2,297,715	13.1657	125,739	2,297,715
	12/31/2012	1,395,073	91,909	\$181,605	1,305,377	521,725	783,652	3,081,367	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	12.1184	254,272	3,839,312

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

** A separate review of the Police OPEB began in 2012, prior analysis is not currently available

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
AWC HealthFirst 1000	
Retiree only - Non-Medicare Coverage	\$830.01
Retiree & Spouse - Non-Medicare Coverage	\$1,667.27
Retiree with Medicare Coverage & Spouse without	\$1,280.56
Retiree & Spouse - with Medicare Coverage	\$899.43
Washington Dental Services	
Retiree only	\$56.98
Retiree & Spouse	\$116.13
Retiree & Child(ren)	\$115.34
Retiree & Spouse & Child(ren)	\$173.25
Willamette Dental Services	
Retiree only	\$56.10
Retiree & Spouse	\$114.21
Retiree & Child(ren)	\$113.57
Retiree & Spouse & Child(ren)	\$170.70

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. The Olympia Transportation Benefit District's governing board is comprised of all the members of the Olympia City Council.

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 Transportation Benefit District authorization to impose taxes, fees, charges and tolls. The Olympia Transportation Benefit District has approved a \$20 vehicle registration fee. This fee started October 1, 2009 and is imposed on vehicles registered within the district's boundaries.

The Transportation Benefit District 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 – OTHER DISCLOSURES

A. Adoption of the new GASB Statement 61, The Financial Reporting Entity: Omnibus:

Issued in 2010, the objective of this Statement is to improve financial reporting for a governmental financial reporting entity by addressing reporting entity issues related to component units, blended component units, related organizations, and joint ventures. There is no material impact to the City for implementing the standard.

B. Adoption of the new GASB Statement 65, Items Previously Reported as Assets and Liabilities:

Issued in 2012, the objective of this Statement is improve financial reporting by either (a) properly classifying certain items that were previously reported as assets and liabilities as deferred outflows or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). There is no material impact to the City for implementing the standard.

C. Adoption of the new GASB Statement 66, Technical Corrections -2012-an amendment of GASB Statements No. 10 and No. 62:

Issued in 2012, the objective of this statement is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted in the issuance of GASB Statements No. 54 and No. 62, regarding risk financing activities, operating lease transactions, reporting of the acquisition of loan(s), and the recognition of servicing fees related to the sale of mortgage loans. There is no material impact to the City for implementing the standard.

D. Adoption of the Washington State Auditor's Office (SAO) 2013 updated Budget, Accounting and Reporting System (BARS) Chart of Accounts:

Washington State Law (RCW 43.09.200) requires the state auditor to formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class. In 2013 the SAO issued an update to the BARS Chart of Accounts in order to assist entities in accurately reporting all sources of public income and expenditures. The City of Olympia implemented the updated Chart of Accounts. The effect of the financial statements were as follows:

General Fund Revenues:

In 2012 the City reported in the Intergovernmental Revenue category approximately \$2.6 million in Medic 1 and Fire Services. In 2013 due to the change in the chart of accounts and nature of the service, approximately \$2.7 million is now reported in the Charges for Services category.

General Fund Expenses:

In 2012 the City reported a Physical Environment Expense category of approximately \$7.0 million. In 2013 due to the change in the chart of accounts and the nature of the services within this category, the expenses of this category are now reported in the General Government category. All schedules and comparisons related to the elimination of the Physical Environment category have been updated to reflect the change in category reporting.

Proprietary Fund Revenues:

In 2012 the City reported in the Miscellaneous Revenue category approximately \$2.0 million in General Facilities Charges. In 2013 due to the change in the chart of accounts and nature of the service, approximately \$2.7 million is now reported in the Charges for Services category.

E. Closed Fund:

During the fiscal year 2013 the following Fund was closed:

Capital Project Fund

4th/5th Avenue Corridor/Bridge Construction Fund 322 was closed.

F. New Funds:

During the fiscal year 2013 the following Funds were opened:

Debt Service Funds

2013 LTGO WA Center, LED, and Park Bond Fund 229 was created.

Capital Project Fund

2013 LTGO WA Center and LED Construction Fund 329 was created.

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					253,386,959
Governmental Funds					
Total Governmental Funds Capital Assets					247,887,452
GO BONDS	Par Value	Outstanding 12/31/13	Proceeds Spent thru 12/31/13	Net Outstanding	
2009 City Hall Bonds	\$ 35,210,000	\$ 34,495,000	\$ 35,210,000	\$ 34,495,000	
2009 Fire Station Bonds	16,180,000	13,830,000	16,103,270	13,830,000	
2010 HOCM Bonds	5,670,000	5,150,000	5,670,000	5,150,000	
2010 Transportation Bonds	5,865,000	5,065,000	5,865,000	5,065,000	
2013 Washington Center, LED, and Parks Bond	6,345,000	6,140,000	5,042,726	5,042,726	
2006 Parks	9,385,000	3,255,000	9,385,000	3,255,000	
Total GO Bonds	78,655,000	67,935,000	77,275,996	66,837,726	
PWTFL LOANS					
4th / 5th Ave. Corridor	6,721,144	2,522,640	6,721,144	2,522,640	
4th / 5th Ave. Corridor	3,275,000	1,387,059	3,275,000	1,387,059	
Total PWTFL Loans	9,996,144	3,909,699	9,996,144	3,909,699	
OTHER LOANS					
State Of WA LOCAL Program Loan	1,534,496	1,046,777	1,466,250	1,046,777	
Total Other Loans	1,534,496	1,046,777	1,466,250	1,046,777	
LID NOTES					
LID #762 - Woodland Park Water	167,998	24,852	167,998	24,852	
Total Other Loans	167,998	24,852	167,998	24,852	
Total - Governmental Funds Debt	\$ 90,353,638	\$ 72,916,328	\$ 88,906,388	\$ 71,819,054	
Capital Assets Net of Related Debt - Governmental Funds					\$ 176,068,398
Internal Service Funds					
Total Internal Service Capital Assets					\$ 5,499,507
Internal Service Capital Assets Net of Related Debt					\$ 5,499,507
Total Governmental Activities Capital Assets - Net of Related Debt					\$ 181,567,905

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				\$ 118,556,517
	Par Value	Outstanding 12/31/13	Proceeds Spent thru 12/31/13	Net Outstanding
Drinking Water/Wastewater Utility				
Capital Assets - Drinking Water				\$ 93,861,474
REVENUE BONDS				
2007 Waterworks	8,000,000	6,355,000	8,000,000	6,355,000
2010 Waterworks	6,485,000	5,765,000	6,485,000	5,765,000
2013 Waterworks	8,443,094	7,780,000	6,949,504	6,949,504
Total REVENUE Bonds	22,928,094	19,900,000	21,434,504	19,069,504
PWTFL LOANS				
Sleater-Kinney Sewer	1,808,375	1,379,194	1,724,045	1,379,194
Total PWTFL Loans	1,808,375	1,379,194	1,724,045	1,379,194
OTHER LOANS				
Department of Ecology - Septic Assistance	250,000	98,253	97,853	97,853
DWSRF McAllister Wellfield Development	6,060,000	1,797,651	1,797,651	1,797,651
DWSRF McAllister Wellfield Transmission Pipe	4,811,640	3,698,519	3,698,519	3,698,519
Total OTHER Loans	11,121,640	5,594,423	5,594,023	5,594,023
Total - Drinking Water/Wastewater Utility Debt	\$ 35,858,109	\$ 26,873,617		\$ 26,042,721
Drinking Water Capital Assets Net of Related Debt				\$ 67,818,753
Storm and Surface Water Utility				
Capital Assets - Storm and Surface Water				\$ 24,640,229
PWTFL LOANS				
State Of WA Public Works Board	1,214,018	1,159,487	1,214,018	1,159,487
Total PWTFL Loans	\$ 1,214,018	\$ 1,159,487	\$ 1,214,018	\$ 1,159,487
Total - Storm and Surface Water Utility Debt	\$ 1,214,018	\$ 1,159,487		\$ 1,159,487
Storm and Surface Water Capital Assets Net of Related Debt				\$ 23,480,742
Waste Resources Utilitiy				
Capital Assets - Waste ReSources				54,814
Waste ReSources Capital Assets Net of Related Debt				54,814
Total for All utilities	\$ 37,072,127	\$ 28,033,104		\$ 27,202,208
Capital Assets Net of Related Debt				\$ 91,354,309

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund
For Year Ended December 31, 2013**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$40,447,655	\$40,472,655	\$40,601,468	\$128,813
Licenses and Permits	2,848,854	2,848,854	3,818,982	970,128
Intergovernmental Revenues	1,623,516	2,490,075	2,216,484	(273,591)
Charges for Services	12,082,803	12,192,787	12,486,232	293,445
Fines and Forfeits	1,192,250	1,192,250	1,021,476	(170,774)
Miscellaneous Revenues	2,056,024	2,347,936	2,372,864	24,928
Total Revenues	60,251,102	61,544,557	62,517,506	972,949
EXPENDITURES				
Current:				
General Government Services	16,189,903	19,071,229	20,423,707	1,352,478
Security of Persons & Property	28,523,894	29,232,631	28,796,471	(436,160)
Utilities & Environment	4,974,140	4,988,755	-	(4,988,755)
Transportation	4,686,756	4,739,983	3,918,089	(821,894)
Economic Environment	2,775,033	3,142,159	2,888,595	(253,564)
Mental and Physical Health	14,000	14,000	82,097	68,097
Culture and Recreation	4,645,535	4,760,156	4,310,226	(449,930)
Capital Outlays	1,058,500	5,344,370	3,628,577	(1,715,793)
Total Expenditures	62,867,761	71,293,283	64,047,762	(7,245,521)
Excess (Deficiency) of Revenues over Expenditures	(2,616,659)	(9,748,726)	(1,530,256)	8,218,470
OTHER FINANCING SOURCES (USES)				
Transfers - In	1,676,140	5,478,193	4,673,704	(804,489)
Transfers - Out	(739,775)	(1,765,875)	(621,822)	1,144,053
Sale of Capital Assets	-	-	11,634	11,634
Total Other Financing Sources (Uses)	936,365	3,712,318	4,063,516	351,198
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(1,680,294)	(6,036,408)	2,533,260	8,569,668
FUND BALANCE JANUARY 1	14,269,269	14,269,269	14,269,269	-
FUND BALANCE DECEMBER 31	\$12,588,975	\$8,232,861	\$16,802,529	\$8,569,668

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.

Firemens' Pension Plan

As of January 1, 2012, the most recent actuarial valuation date, the funded status of the plan was as follows:

Firemens' Pension Plan - Schedule of Funding Progress (rounded to thousands)						
Valuation Date	Actuarial Value of Assets	Actuarial Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage of Covered Payroll
January 1, 2001	\$ 1,545	\$ 4,095	\$ 2,550	38 %	\$ 69	3,696 %
January 1, 2002	1,551	4,628	3,077	34	69	4,459
January 1, 2004	1,493	4,855	3,362	31	0	N/A
January 1, 2006	1,714	5,134	3,420	33	0	N/A
January 1, 2008	2,517	5,682	3,165	44	0	N/A
January 1, 2010	3,153	5,822	2,669	54	0	N/A
January 1, 2012	3,625	5,076	1,451	71	0	N/A

As of January 1, 2012, the most recent actuarial valuation date, the employer contributions of the plan was as follows:

Firemens' Pension Plan - Schedule of Contributions from the Employer					
Fiscal Year Ending	Actual Employer Contributions*	Actual Fire Insurance Premiums	Total Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31, 2007	431,395	63,395	494,790	265,606	186
December 31, 2008	430,106	65,922	496,028	246,881	201
December 31, 2009	444,293	62,860	507,153	246,881	205
December 31, 2010	468,731	66,934	535,665	203,183	264
December 31, 2011	224,530	79,633	304,163	203,183	150
December 31, 2012	515,375	75,846	591,221	119,273	496
December 31, 2013	584,564	82,175	666,739	119,273	559

* Employer Contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

Actuarial Procedures and Assumptions

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

Actuarial Valuation Information:	
Valuation Date:	January 1, 2012
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	30-year, closed as of January 1, 1999
Remaining Amortization Period:	17 Years
Asset Valuation Method:	Fair market value
Actuarial Assumptions:	
Investment Rate of Return:	4.0%
Projected Salary Increases:	3.75%
Inflation:	2.75%
Age of Retirement:	65
Cost-of-living Adjustments:	Based upon salary increase assumption when appropriate.

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

As of January 1, 2012, 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
Fire	January 1, 2008	\$ -	\$ 11,622	\$ 11,622	- %	N/A	N/A
	January 1, 2010	-	15,055	15,055	-	N/A	N/A
	January 1, 2012	-	16,502	16,502	-	N/A	N/A

* Separate review of the Police OPEB began in 2012, prior year analysis is not currently available.

As of January 1, 2012, the most recent actuarial valuation date, the employer contributions for each plan was as follows:

Schedule of Percentage of Annual OPEB Cost Contributed				
	Fiscal Year Ending	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cot	Net OPEB Obligation
Police*	December 31, 2012	\$1,507,500	38%	\$ 933,296
	December 31, 2013	1,467,817	41	1,802,505
Fire	December 31, 2011	\$1,154,708	44%	\$ 2,297,715
	December 31, 2012	1,305,377	40	3,081,367
	December 31, 2013	1,264,056	40	3,839,312

* Separate review of the Police OPEB began in 2012, prior year analysis is not currently available.

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, 2012
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:	17 Years

Actuarial Assumptions	
Investment Rate of Return:	4.0%
Medical Trend:	
2012	7.0%
2013	7.5%
2014	6.2%
2015	5.8%
2016-2023	5.7%
2024-2034	5.6%
Dental Trend	Minimum of 5.5% and Medical Inflation
Long-Term Care Inflation Rate:	4.75%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Food And Nutrition Service, Department Of Agriculture/Superintendant of Public Instruction	Summer Food Service Program for Children	10.559	N/A	6,779		6,779	1,4
Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants/Entitlement Grants	14.218	B 00-53.13		102,902	102,902	1,3
Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants/Entitlement Grants	14.218	B 00-53.13		580,039	580,039	1,3
Total CFDA 14.218				0	682,941	682,941	
Office Of Sustainable Housing And Community, Department Of Housing And Urban Development/Thurston Regional Planning Council	Sustainable Communities Regional Planning Grant Program	14.703	warip0041-10	1,874		1,874	1,2
National Park Service, Department Of The Interior/WA State Dept. of Archaeology & Historic Preservation	Historic Preservation Fund Grants-In-Aid	15.904	FY13-61013-009	3,930		3,930	1,2
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	2013BUBX13067929		4,564	4,564	1,2
Bureau Of Justice Assistance, Department Of Justice/	Bulletproof Vest Partnership Program	16.607	2012BUBX12062736		11,306	11,306	1,2
Total CFDA 16.607				0	15,870	15,870	
Bureau Of Justice Assistance, Department Of Justice/	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0899		13,559	13,559	1,2
Bureau Of Justice Assistance, Department Of Justice/	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2460		7,744	7,744	1,2
Bureau Of Justice Assistance, Department Of Justice/	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0210		21,495	21,495	1,2
Bureau Of Justice Assistance, Department Of Justice/	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1019		14,632	14,632	1,2
Total CFDA 16.738				0	57,430	57,430	
Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept of Transportation	Highway Planning and Construction	20.205	LA7836/HSIP-0005(322)	154,165		154,165	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept of Transportation	Highway Planning and Construction	20.205	SRTD-5320(004)	4,900		4,900	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept. of Transportation	Highway Planning and Construction	20.205	STPUS-5253(003)	8,426		8,426	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept. of Transportation	Highway Planning and Construction	20.205	LA7687/STPE-0920(007)	37,570		37,570	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept of Transportation	Highway Planning and Construction	20.205	LA8168/STPUS-0920(009)	427		427	1,2
Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept of Transportation	Highway Planning and Construction	20.205	CM-0920(008)	3,864		3,864	1,2

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Highway Administration (fhwa), Department Of Transportation/WA State Dept. of Transportation	Highway Planning and Construction	20.205	STPUS- 9934(017)	388,316		388,316	1,2
Total CFDA 20.205				597,669	0	597,669	
Office Of Water, Environmental Protection Agency/WA State Dept of Ecology	Nonpoint Source Implementation Grants	66.460	G1300069	20,063		20,063	1,2
Office Of Water, Environmental Protection Agency/WA State Dept of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM10-952-016	2,107,953		2,107,953	1,2,6
Office Of Water, Environmental Protection Agency/WA State Dept of Commerce	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM10-952-017	1,684,161		1,684,161	1,2,6
Total CFDA 66.468				3,792,114	0	3,792,114	
Department Of Homeland Security/WA State Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	2012 Winter Storm	47,431		47,431	1,2,5
Total Federal Awards Expended:				4,469,860	756,241	5,226,101	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

CITY OF OLYMPIA, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013**

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.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The City has a revolving loan program for low income housing renovation. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$102,902 and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$146,901.

NOTE 4 – NOT AVAILABLE (N/A)

The City of Olympia was unable to obtain additional identification numbers.

NOTE 5 – FEMA DISASTER ASSISTANCE 2012

The amount shown as current year expenditures represents only federal portion of the emergency repairs from the 2012 disaster. Disaster repairs, including the State and City's portion may be more than shown, and were not reported as revenues in prior years.

NOTE 6 – FEDERAL LOANS

The City of Olympia was approved by the Federal EPA and the Washington State PWB to receive two loans totaling \$10,871,640 to improve its drinking water system. The amount, \$4,654,630, listed in this schedule is for the expenditures of the reporting year.

The current and prior year loan draws are reported on the City of Olympia's Schedule of Liabilities.



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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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Deputy Director of Local Audit
Deputy Director of Local Audit
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