



# Washington State Auditor's Office

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## Financial Statements and Federal Single Audit Report

### City of Puyallup

Pierce County

For the period January 1, 2014 through December 31, 2014

Published August 17, 2015

Report No. 1014824





## Washington State Auditor's Office

August 17, 2015

City Council  
City of Puyallup  
Puyallup, Washington

### Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

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## FEDERAL SUMMARY

**City of Puyallup  
Pierce County  
January 1, 2014 through December 31, 2014**

The results of our audit of the City of Puyallup 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>
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction

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.

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

**City of Puyallup  
Pierce County  
January 1, 2014 through December 31, 2014**

City Council  
City of Puyallup  
Puyallup, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Puyallup, Pierce County, Washington, as of and for the year ended December 31, 2014, 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 29, 2015. As discussed in Note 5 to the financial statements, during the year ended December 31, 2014, the City implemented Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

**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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

June 29, 2015

**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 Puyallup  
Pierce County  
January 1, 2014 through December 31, 2014**

City Council  
City of Puyallup  
Puyallup, Washington

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

We have audited the compliance of the City of Puyallup, Pierce County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2014. 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, 2014.

## **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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

July 13, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Puyallup Pierce County January 1, 2014 through December 31, 2014

City Council  
City of Puyallup  
Puyallup, 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 Puyallup, Pierce County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 15.

### 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 Puyallup, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 5 to the financial statements, in 2014, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 25, information on postemployment benefits other than pensions and on page 85 and pension trust fund information on pages 86 through 87 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 29, 2015 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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

June 29, 2015

## **FINANCIAL SECTION**

**City of Puyallup  
Pierce County  
January 1, 2014 through December 31, 2014**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2014

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position – 2014

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2014

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

### **REQUIRED SUPPLEMENTARY INFORMATION**

Information on Postemployment Benefits Other Than Pensions and Notes – 2014

Pension Trust Fund and Notes – 2014

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Puyallup's (the City's) management discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended December 31, 2014. The information presented here should be read in conjunction with additional information that we have furnished in our letter of transmittal at the beginning of this document and basic financial statements immediately following this section.

### FINANCIAL HIGHLIGHTS

As of the close of the current fiscal year, the City's government-wide activities reported ending net position balances of \$291.9 million. Of this total, \$10 million is restricted for debt service or other third-party obligations, \$251 million is invested in capital assets net of related debt and \$30.9 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.9 million, an increase of \$1.8 million in comparison with the prior year. \$0.2 million of this total fund balance is nonspendable, with balances for prepaid expenditures and advances to other funds. \$6.9 million is restricted for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation. \$5.8 million is assigned by the City Council through the allocation of resources for specific purposes as expressed through the budget process and adoption of the final budget. The remaining fund balance is unassigned with a deficit amount of (\$2) million. This deficit is primarily due to deficit fund balances in the Civic Center Fund and the Street Fund. These deficits were the result of deliberate decisions to complete a few major projects in advance of the anticipated revenue streams, and borrowing internally as necessary in the interim. The deficit in the Street Fund will be resolved over the next few years through receipt of Traffic Impact Fees, and the Civic Center Fund deficit will be resolved through General Fund transfers.

As of the close of the current fiscal year, fund balance for the General Fund was \$5.8 million, or 15 percent of total recurring General Fund expenditures.

The City's long-term debt decreased by \$6.2 million, or 10 percent, during the current fiscal year. The City also refunded one debt issue in 2014, resulting in a reduction in aggregate debt service payments of \$705,321 and an economic gain (difference between the present values of the old and new debt service payments) of \$620,756.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

*The statement of net position.* The statement of net position presents information on all of the City's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

*The statement of activities.* The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are



reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental Activities** – Most of the City’s basic services are reported here, including police, parks, library, development services and general administration. Property taxes, sales taxes, and user fees finance most of these activities.

**Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s combined waterworks utilities and Pioneer Park Pavilion activities are reported here.

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

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Street Fund, Parks Capital Improvement (CIP) Fund and Civic Center Fund, which are considered to be major funds. Data from the other 15 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds.* The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its combined waterworks utilities and for Pioneer Park Pavilion operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City uses internal service funds to account for its facility maintenance, equipment rental, insurance, information technology and communications, and healthcare insurance services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, and storm and surface water funds which are all considered to be major funds of the City. Data from the other two enterprise funds are combined into a single, aggregated presentation and all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the nonmajor enterprise funds and all internal service funds is provided in the form of combining statements elsewhere in this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental and business-type funds and internal service funds are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Puyallup, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$291.9 million as of December 31, 2014 as shown in the following table.

The largest portion of the City's net position, \$251 million or 86 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED STATEMENT OF NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2014	2013*	2014	2013	2014	2013*
Current and other assets	\$ 23,453,449	\$ 20,900,159	\$ 33,637,671	\$ 34,509,271	\$ 57,091,120	\$ 55,409,430
Capital assets	184,069,855	183,338,566	124,035,754	123,504,357	308,105,609	306,842,923
TOTAL ASSETS	207,523,304	204,238,725	157,673,425	158,013,628	365,196,729	362,252,353
Deferred amounts on debt refunding	2,116,401	1,810,398	154,642	184,590	2,271,043	1,994,988
TOAL DEFERRED OUTFLOWS OF RESOURCES	2,116,401	1,810,398	154,642	184,590	2,271,043	1,994,988
Long-term liabilities	54,057,898	55,671,962	17,096,297	20,383,633	71,154,195	76,055,595
Other liabilities	3,413,256	3,501,027	796,842	1,197,114	4,210,098	4,698,141
TOTAL LIABILITIES	57,471,154	59,172,989	17,893,139	21,580,747	75,364,293	80,753,736
Deferred amounts on debt refunding	8,512	10,214	144,032	172,839	152,544	183,053
TOAL DEFERRED INFLOWS OF RESOURCES	8,512	10,214	144,032	172,839	152,544	183,053
NET POSITION:						
Invested in capital assets, net of related debt	141,750,659	136,947,784	109,286,134	105,748,892	251,036,793	242,696,676
Restricted	7,086,232	7,341,108	2,903,826	3,068,697	9,990,058	10,409,805
Unrestricted	3,323,148	2,577,028	27,600,936	27,627,043	30,924,084	30,204,071
TOTAL NET POSITION	\$ 152,160,039	\$ 146,865,920	\$ 139,790,896	\$ 136,444,632	\$ 291,950,935	\$ 283,310,552

\* GASB Statement No. 67 - Financial Reporting for Pension Plans was implemented in 2014. The Statement of Net Position for 2013 has been restated for purposes of comparison and reflects the prior period adjustment of (\$1,407,941) for governmental activities in 2014.

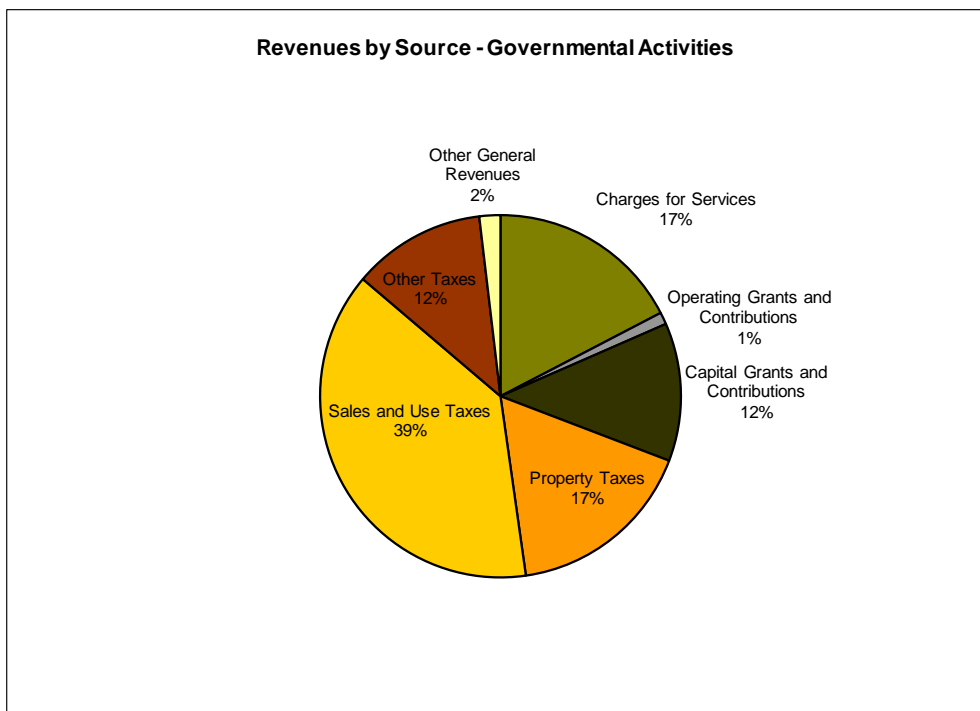
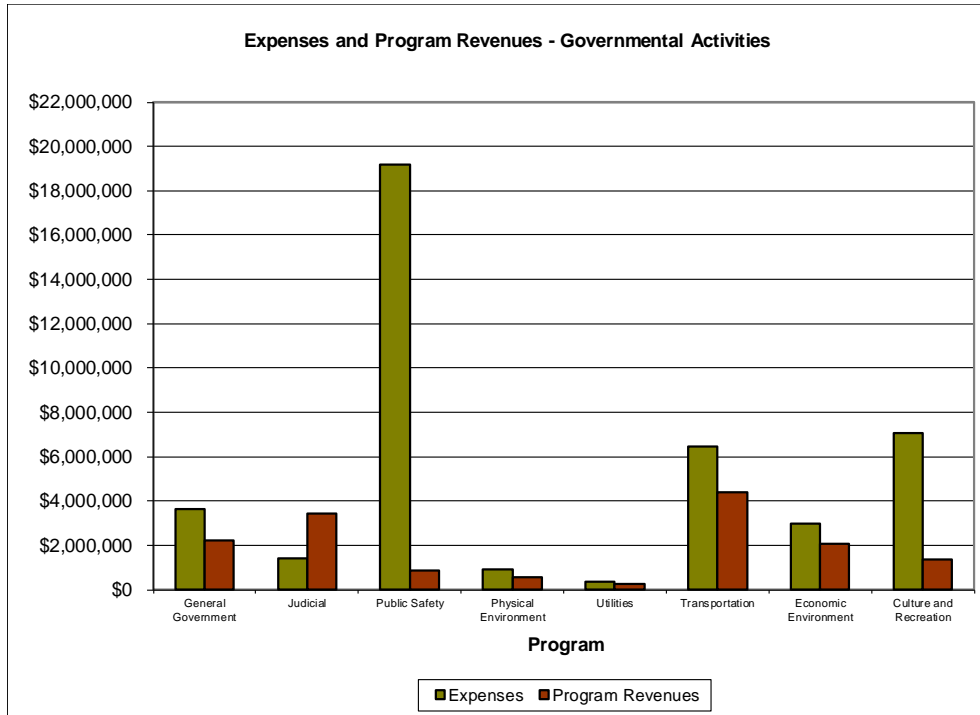
An additional portion of the City's net position, \$10 million or 3 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$30.9 million may be used to meet the government's ongoing obligations to citizens and creditors.

**Changes in net position.** The overall financial position of the City improved in 2014. The City's total net position increased by \$8.6 million in 2014. Governmental activities increased by \$5.3 million and business-type activities increased by \$3.3 million. A summary version of the Statement of Activities is shown in the following table.

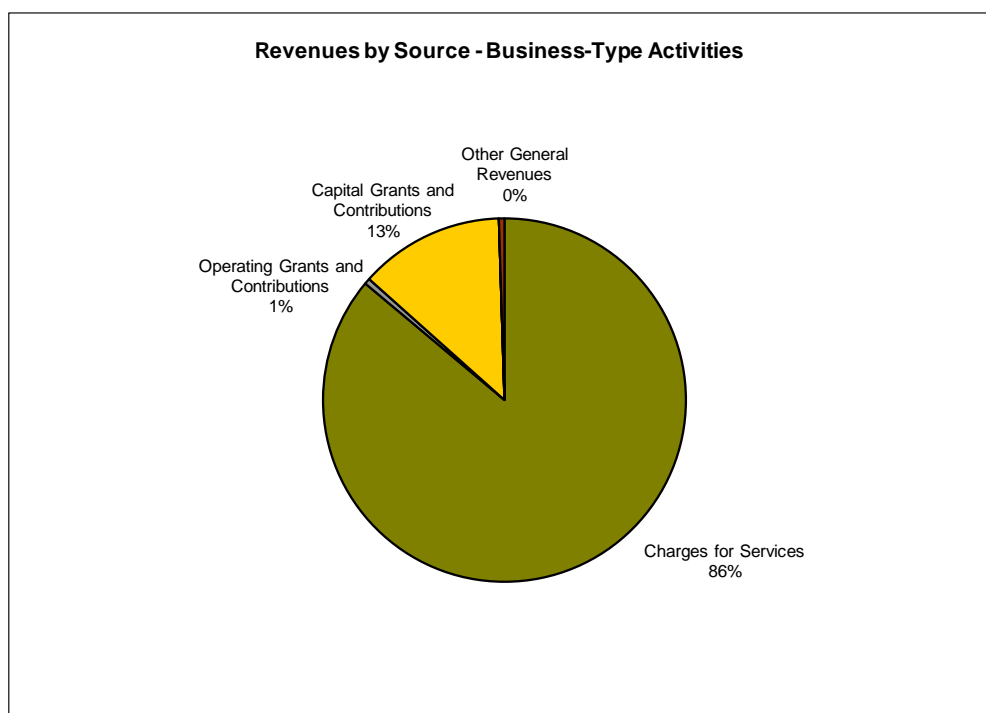
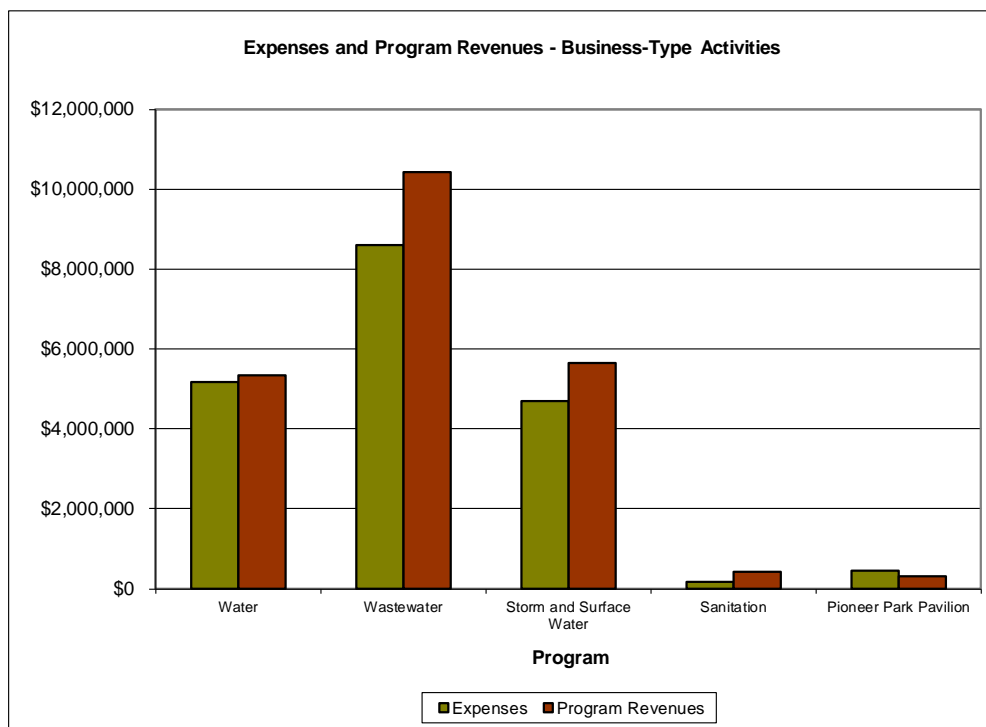
CONDENSED STATEMENT OF ACTIVITIES						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 8,528,433	\$ 9,174,009	\$ 19,153,960	\$ 18,330,530	\$ 27,682,393	\$ 27,504,539
Operating grants and contributions	524,778	508,733	113,247	682,495	638,025	1,191,228
Capital grants and contributions	6,044,933	4,642,402	2,873,698	3,070,613	8,918,631	7,713,015
General revenues:						
Property taxes	8,310,419	8,381,764	-	-	8,310,419	8,381,764
Sales and use taxes	18,837,570	17,053,225	-	-	18,837,570	17,053,225
Other taxes	5,847,972	5,746,405	-	-	5,847,972	5,746,405
Other general revenues	925,982	1,015,691	109,451	130,304	1,035,433	1,145,995
Total revenues	49,020,087	46,522,229	22,250,356	22,213,942	71,270,443	68,736,171
Expenses:						
General government	3,658,053	3,765,868	-	-	3,658,053	3,765,868
Judicial	1,403,452	1,344,829	-	-	1,403,452	1,344,829
Public safety	19,163,428	19,790,470	-	-	19,163,428	19,790,470
Physical environment	909,477	561,723	-	-	909,477	561,723
Utilities	329,389	373,320	-	-	329,389	373,320
Transportation	6,468,190	6,251,136	-	-	6,468,190	6,251,136
Economic environment	2,984,233	2,765,411	-	-	2,984,233	2,765,411
Culture and recreation	7,075,990	6,853,268	-	-	7,075,990	6,853,268
Interest and other fiscal charges	1,569,844	1,741,733	-	-	1,569,844	1,741,733
Water	-	-	5,178,638	5,124,813	5,178,638	5,124,813
Wastewater	-	-	8,595,933	9,112,648	8,595,933	9,112,648
Storm and surface water	-	-	4,683,614	5,187,273	4,683,614	5,187,273
Sanitation	-	-	166,319	191,014	166,319	191,014
Pioneer Park Pavilion	-	-	443,500	418,881	443,500	418,881
Total expenses	43,562,056	43,447,758	19,068,004	20,034,629	62,630,060	63,482,387
Increase in net position before transfers	5,458,031	3,074,471	3,182,352	2,179,313	8,640,383	5,253,784
Transfers	(163,912)	(220,184)	163,912	220,184	-	-
Increase/(Decrease) in net position	5,294,119	2,854,287	3,346,264	2,399,497	8,640,383	5,253,784
Net position - beginning*	146,865,920	144,011,633	136,444,632	134,045,135	283,310,552	278,056,768
Net position - ending	\$ 152,160,039	\$ 146,865,920	\$ 139,790,896	\$ 136,444,632	\$ 291,950,935	\$ 283,310,552

\* GASB Statement No. 67 - Financial Reporting for Pension Plans was implemented in 2014. Beginning Net Position has been restated for purposes of comparison and reflects the prior period adjustment of (\$1,407,941) for governmental activities in 2014.

**Governmental activities.** Governmental activities increased the City's net position by \$5.3 million in 2014. The combined governmental activities reported total revenues and transfers of \$48.9 million and total expenses of \$43.6 million. Taxes, the primary source of revenue for governmental activities, totaled \$33 million and made up 68% of total revenues. This was an increase of \$1.8 million over the previous year. Expenses and program revenues for governmental activities are shown in the following graphs.



**Business-type activities.** Business-type activities increased the City's net position by \$3.3 million in 2014, with all activities reporting positive changes in net position (including investment earnings and transfers). The combined business-type activities reported total revenues and transfers of \$22.4 million and total expenses of \$19.1 million. Charges for services, the primary source of revenue for business-type activities, totaled \$19.2 million and made up 86% of total revenues. Expenses and program revenues for business-type activities are shown in the following graphs.



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

Fund balances of governmental funds are classified according to five specifically defined categories. In order from most restrictive to least restrictive, these categories are Nonspendable, Restricted, Committed, Assigned and Unassigned. The classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additional information regarding fund balances can be found in Section I.D.8. of the Notes to Financial Statements.

As of December 31, 2014, the City's governmental funds reported combined ending fund balances of \$10.9 million, an increase of \$1.8 million in comparison with the prior year. \$0.2 million of this total fund balance is Nonspendable, \$6.9 million is Restricted, \$5.8 million is Assigned, and a deficit amount of (\$2) million is Unassigned. This deficit is due to deficit fund balances in the Civic Center Fund and the Street Fund. These deficits were the result of deliberate decisions to complete a few major projects in advance of the anticipated revenue streams, and borrowing internally as necessary in the interim. The deficit in the Street Fund will be resolved over the next few years through receipt of Traffic Impact Fees, and the Civic Center Fund deficit will be resolved through General Fund transfers.

The City's governmental funds are categorized into four types, consisting of general, special revenue, debt service and capital project funds. Each fund type has a unique purpose. Four funds are classified as major funds for the purposes of this report, based on criteria set forth by the Government Accounting Standards Board. Those funds are the General Fund, Street Fund, Parks CIP Fund and Civic Center Fund. The City has designated the Parks CIP Fund and the Civic Center Fund as major funds due to the overall importance of the funds relative to other nonmajor funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance for the General Fund was \$5.8 million. \$0.2 million of this total fund balance is Nonspendable and \$5.6 million is Assigned. As a measure of the General Fund's liquidity, it is useful to compare total fund balance to total fund expenditures. Total fund balance represents 15 percent of total recurring General Fund expenditures.

The increase in fund balance of the City's General Fund of \$0.4 million is largely due to an increase in tax revenues.

The Street Fund had a total fund balance of (\$1.3) million which is an improvement of \$1.3 million over the previous year. As described earlier, this deficit is due to decisions to complete major capacity-increasing projects in advance of receiving the related funding from Traffic Impact Fees, and borrowing internally as necessary in the interim. Payments on these interfund loans contributed to the improvement in the fund, and fund balance will continue to improve as the scheduled payments are made on these loans.

The Parks CIP Fund had a total fund balance of \$1.8 million which represents a slight improvement over the previous year as expenditures were limited to resources.

The Civic Center Fund had a total fund balance of (\$0.7) million which is an improvement of \$0.1 million over the previous year. This deficit is due to decisions to proceed and complete projects through the use of interfund loans with repayment scheduled over several years. Payments on these loans contributed to the improvement in the fund, and fund balance will continue to improve as the scheduled payments are made on these loans.

**Proprietary Funds.** Proprietary funds are those funds that account for government operations where the intent is for the costs to be primarily paid for by user charges. Enterprise funds are those funds that provide services primarily to external users, and the internal service funds provide their services primarily within the City. The City has ten proprietary funds, five of which are enterprise funds and five are internal service funds.

The Water, Wastewater and Storm and Surface Water Funds are major proprietary funds accounting for \$139.5 million, or 90%, of the total net position of the proprietary funds of \$155 million.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for the General Fund were \$65,957 and can be briefly summarized as follows:

\$86,380 - Reflects increases for the unexpended portions of selected projects budgeted, but not completed in the prior year.

\$111,945 - Reflects increases for expenditures and transfers out related to grants and donations received during the year.

\$86,538 - Reflects increases for expenditures and transfers out related to new program revenues and fees received during the year.

\$44,817 - Reflects increases for technical adjustments related to the allocation of insurance and administration.

(\$98,000) - Reflects a decrease in the estimated cost of a capital project.

(\$165,723) - Reflects a decrease for transfers out related to debt.

During the year, General Fund revenues were above budgetary estimates by \$1.4 million. This was primarily due to improvements in tax revenues and the City's conservative approach to budgeting revenues dictated by its Budget Stability Policy. Expenditures were less than budgetary estimates by \$0.6 million as departments continued to find efficiencies within their own budgets.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At the end of 2014, the City had \$308.1 million invested in a broad range of capital assets, including land, buildings, park facilities, machinery and equipment, infrastructure, and water, wastewater and storm & surface water systems (see following table). This amount represents a net increase (including additions and deductions) of \$1.3 million (0.4%) over the previous year.

	CAPITAL ASSETS (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 42,427,983	\$ 41,820,022	\$ 3,952,620	\$ 3,833,303	\$ 46,380,603	\$ 45,653,325
Buildings and System	53,253,316	54,915,235	107,516,920	109,400,356	160,770,236	164,315,591
Improvements Other than Building	3,216,667	3,162,008	2,273,673	2,458,136	5,490,340	5,620,144
Machinery and Equipment	11,161,810	10,708,759	742,917	679,371	11,904,727	11,388,130
Infrastructure	67,457,919	63,823,965	-	-	67,457,919	63,823,965
Construction in Progress	6,552,160	8,908,577	9,549,624	7,133,191	16,101,784	16,041,768
Total	<u>\$ 184,069,855</u>	<u>\$ 183,338,566</u>	<u>\$ 124,035,754</u>	<u>\$ 123,504,357</u>	<u>\$ 308,105,609</u>	<u>\$ 306,842,923</u>

Major capital asset additions for the City include the construction of a few large street and utility improvement projects such as the 7th Ave. S.W. Safety Improvements project and the wastewater system's Generator Upgrades and Flooding Mitigation project.

More detailed information about the City's capital assets is presented in Section IV.C. of the Notes to Financial Statements.

**Long-Term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$54.1 million. Of this amount, \$39.6 million comprises general obligation debt which is backed by the full faith and credit of the City. \$100,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to assessment. Revenue bonds secured solely by specified revenue sources total \$14.4 million. In addition, the City had other long-term debt of \$4.2 million which are intergovernmental loans related to construction of capital assets.

A summary of the changes in the City's long-term debt is shown in the following table.

	LONG-TERM DEBT					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 38,909,116	\$ 41,603,143	\$ 656,194	\$ 828,145	\$ 39,565,310	\$ 42,431,288
Special Assessment Debt	100,000	100,000	-	-	100,000	100,000
Revenue Bonds	129,735	160,146	14,265,265	16,889,854	14,395,000	17,050,000
Other Long-Term Debt	2,986,012	3,272,075	1,220,581	1,604,705	4,206,593	4,876,780
Total	<u>\$ 42,124,863</u>	<u>\$ 45,135,364</u>	<u>\$ 16,142,040</u>	<u>\$ 19,322,704</u>	<u>\$ 58,266,903</u>	<u>\$ 64,458,068</u>

The City's long-term debt decreased by \$6.2 million during the current fiscal year. The City also refunded one debt issue in 2014, resulting in a reduction in aggregate debt service payments of 705,321 and an economic gain (difference between the present values of the old and new debt service payments) of \$620,756.

The City's general obligation and revenue bond ratings continue to be healthy. These ratings are assigned by national rating agencies such as Moody's and Standard & Poor's. The state limits the amount of general obligation debt that cities can issue and the City's outstanding general obligation debt is significantly below the state-imposed limit.

More detailed information about the City's long-term debt is presented in Section IV.F. of the Notes to Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following are a few of the factors considered in preparing the City's 2015 Budget.

Puyallup continues to be a regional center for necessary, affordable merchandise. The employed population of the Puyallup area is divided between those who work within the City and those who commute to work in cities such as Seattle, Tacoma, Renton, Kent, Auburn, and Olympia. Consequently, the Puyallup area serves as a suburban-residential community relying on sales and services provided to that community to locate within its boundaries. Puyallup's current population is 38,670.

In previous years, the City had been reducing expenditures and deferring capital projects in response to changing economic conditions due to the recession. With improvements in 2013 and 2014, the City has been able to increase capital spending and address some key issues and priorities. These included street maintenance and utility



infrastructure improvements as well as purchases of vehicles and equipment. The 2015 budget shows a reduction in capital spending, but includes some increases in expenditures and staffing to address operational effectiveness and workload needs.

The total adopted budget for 2015 is \$108.4 million, which is \$14.9 million, or 12.1%, less than the 2014 adopted budget. This decrease is mostly due to a reduction in capital spending and the related transfers of resources to specific projects. Capital outlay is decreased by \$11.2 million, and transfers are down by \$6.2 million. Excluding those items, the budget for 2015 is increased by only \$2.5 million over the 2014 adopted budget.

The 2015 budget is balanced using the conservative revenue estimates dictated by the Budget Stability Policy originally implemented in 2010. The policy was designed to establish a level of core governmental services that is more sustainable in current and future years, regardless of the economic cycle. In order to reduce volatility related to temporary conditions and business cycles, revenues are budgeted primarily based on the lowest of the most recently completed two years' actual revenues by line item. Property taxes are budgeted as levied, and tax rate changes are applied along with 3% per year increases in sales taxes. This is in effect to ensure that revenue budgets are based on sustainable levels and not driven by one-time fluctuations.

The Budget Stability Policy also divides the budget into three tiers of spending priorities. Tier 1 expenditures are made up of core programs and services, and are limited to core revenues. Tier 2 expenditures are related to customary ongoing capital needs. These are funded only at year end to the extent there are sufficient revenues over and above those needed to fund the Tier 1 basic programs.

Tier 3 allocates any additional revenues available first to maintain or restore the General Fund reserves to the Council's minimum target balance of 8%. After the 8% reserve has been met, remaining revenues may be applied to three areas: further increasing the fund balance, paying down outstanding obligations and pre-funding the next year's capital improvement plan. Capital improvement spending will be based on City revenues already received and available.

By implementing this Budget Stability Policy, the City has developed a budget that responds to its current needs. In recessionary cycles, the next year's capital plan would be automatically eliminated first, if necessary, and contingent expenditures second, before fund balance is reduced. This delayed usage of fund balance is intended to help minimize impacts on core services. In growing and recovering business cycles, this policy is also intended to ensure that expansion of core services does not exceed continuing, stable funding.

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Puyallup Finance Department.

City of Puyallup  
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City of Puyallup  
Statement of Net Position  
December 31, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,781,325	\$ 22,169,580	\$ 36,950,905
Deposits with fiscal agents	45,386	-	45,386
Receivables (net)	4,805,770	3,225,232	8,031,002
Due from other governmental units	5,825,503	1,318,467	7,143,970
Internal balances	(2,241,611)	2,241,611	-
Inventories	45,179	180,667	225,846
Prepaid and other current assets	173,736	2,393	176,129
Restricted assets - cash and cash equivalents	18,161	4,499,721	4,517,882
Capital assets:			
Non-depreciable	48,980,143	13,502,243	62,482,386
Depreciable (net)	135,089,712	110,533,511	245,623,223
<b>TOTAL ASSETS</b>	<b>207,523,304</b>	<b>157,673,425</b>	<b>365,196,729</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts on debt refunding	2,116,401	154,642	2,271,043
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,116,401</b>	<b>154,642</b>	<b>2,271,043</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	3,131,608	447,632	3,579,240
Accrued interest payable	252,478	79,266	331,744
Due to other governments	29,170	51,900	81,070
Revenues collected in advance	-	218,044	218,044
Noncurrent liabilities:			
Due within one year	5,508,775	3,449,072	8,957,847
Due in more than one year	48,549,123	13,647,225	62,196,348
<b>TOTAL LIABILITIES</b>	<b>57,471,154</b>	<b>17,893,139</b>	<b>75,364,293</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amounts on debt refunding	8,512	144,032	152,544
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,512</b>	<b>144,032</b>	<b>152,544</b>
<b>NET POSITION</b>			
Net investment in capital assets	141,750,659	109,286,134	251,036,793
Restricted for:			
Debt service	216,165	1,461,952	1,678,117
Capital projects	1,850,275	1,441,874	3,292,149
Special revenue fund projects	4,832,292	-	4,832,292
Self insurance	187,500	-	187,500
Unrestricted	3,323,148	27,600,936	30,924,084
<b>TOTAL NET POSITION</b>	<b>\$ 152,160,039</b>	<b>\$ 139,790,896</b>	<b>\$ 291,950,935</b>

The notes to the financial statements are an integral part of this statement.

City of Puyallup  
Statement of Activities  
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$ 3,658,053	\$ 2,110,073	\$ 5,035	\$ 89,993	\$ (1,452,952)	\$ (1,452,952)
Judicial	1,403,452	3,387,823	22,669	-	2,007,040	2,007,040
Public safety	19,163,428	427,758	436,047	-	(18,299,623)	(18,299,623)
Physical environment	909,477	548,518	25	-	(360,934)	(360,934)
Utilities	329,389	259,798	-	-	(69,591)	(69,591)
Transportation	6,468,190	21,090	16,566	4,345,175	(2,085,359)	(2,085,359)
Economic environment	2,984,233	1,063,179	8,419	1,000,000	(912,635)	(912,635)
Culture and recreation	7,075,990	710,194	36,017	609,765	(5,720,014)	(5,720,014)
Interest and other fiscal charges	1,569,844	-	-	-	(1,569,844)	(1,569,844)
<b>Total Governmental Activities</b>	<b>43,562,056</b>	<b>8,528,433</b>	<b>524,778</b>	<b>6,044,933</b>	<b>(28,463,912)</b>	<b>(28,463,912)</b>
Business-type Activities:						
Water	5,178,638	4,826,217	-	508,386	-	155,965
Wastewater	8,595,933	9,408,648	106	1,019,806	-	1,832,627
Storm and surface water	4,683,614	4,192,898	113,141	1,345,506	-	967,931
Sanitation	166,319	418,334	-	-	-	252,015
Pioneer Park Pavilion	443,500	307,863	-	-	-	(135,637)
<b>Total Business-type Activities</b>	<b>19,068,004</b>	<b>19,153,960</b>	<b>113,247</b>	<b>2,873,698</b>	<b>-</b>	<b>3,072,901</b>
<b>Total Function/Program Activities</b>	<b>\$ 62,630,060</b>	<b>\$ 27,682,393</b>	<b>\$ 638,025</b>	<b>\$ 8,918,631</b>	<b>\$ (28,463,912)</b>	<b>\$ (25,391,011)</b>
<b>General Revenues</b>						
Taxes:						
Property					\$ 8,310,419	\$ 8,310,419
Sales and use					18,837,570	18,837,570
Business and occupation					3,603,119	3,603,119
Admissions					960,309	960,309
Excise					1,284,544	1,284,544
Investment earnings					23,158	109,451
Gain on sale of capital assets					49,325	49,325
Miscellaneous					853,499	853,499
<b>Transfers</b>					<b>(163,912)</b>	<b>-</b>
<b>Total general revenues and transfers</b>					<b>33,758,031</b>	<b>34,031,394</b>
Change in net position					5,294,119	8,640,383
<b>Net position - beginning</b>					<b>148,273,861</b>	<b>284,718,493</b>
Prior period adjustments					(1,407,941)	(1,407,941)
<b>Net position - ending</b>					<b>\$ 152,160,039</b>	<b>\$ 291,950,935</b>

The notes to the financial statements are an integral part of this statement.

	General Fund	Street Fund	Parks Capital Improvement Fund	Civic Center Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,617,126	\$ 171,893	\$ 1,924,659	\$ 49,733	\$ 4,988,159	\$ 8,751,570
Deposits with fiscal agents	45,386	-	-	-	-	45,386
Receivables:						
Taxes	355,986	-	-	-	-	355,986
Special assessments	-	-	-	-	40,568	40,568
Accrued interest and dividends	1,775	-	-	-	-	1,775
Other receivables	4,268,144	60,000	-	-	-	4,328,144
Interfund loans receivable	38,556	-	-	-	-	38,556
Due from other governmental units	3,607,048	1,690,409	26,978	-	309,279	5,633,714
Prepaid and other current assets	53,753	-	-	-	-	53,753
Advances to other funds	124,974	-	-	-	-	124,974
<b>TOTAL ASSETS</b>	<b>10,112,748</b>	<b>1,922,302</b>	<b>1,951,637</b>	<b>49,733</b>	<b>5,338,006</b>	<b>19,374,426</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Current payables	586,686	610,366	124,535	-	58,323	1,379,910
Other current liabilities	132,769	6,452	-	-	23,686	162,907
Interfund loans payable	-	320,336	-	300,000	-	620,336
Due to other governmental units	26,937	-	56	-	-	26,993
Advances from other funds	-	2,334,251	-	400,000	-	2,734,251
<b>Total liabilities</b>	<b>746,392</b>	<b>3,271,405</b>	<b>124,591</b>	<b>700,000</b>	<b>82,009</b>	<b>4,924,397</b>
<b>Deferred inflows of resources:</b>						
Deferred municipal court and photo enforcement fine receipts	3,410,995	-	-	-	-	3,410,995
Deferred property tax receipts	163,366	-	-	-	-	163,366
<b>Total deferred inflows of resources</b>	<b>3,574,361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,574,361</b>
<b>Fund balances</b>						
<b>Nonspendable:</b>						
Prepays	53,753	-	-	-	-	53,753
Cemetery trust	2,000	-	-	-	-	2,000
Advances to other funds	124,974	-	-	-	-	124,974
<b>Restricted for:</b>						
Debt service	-	-	-	-	209,675	209,675
Transportation Impact Fee projects	-	23,229	-	-	-	23,229
Parks projects	-	-	1,827,046	-	-	1,827,046
Eligible law enforcement activities	-	-	-	-	731,379	731,379
Tourism promotion and facilities	-	-	-	-	2,167,924	2,167,924
Trial court improvements	-	-	-	-	16,928	16,928
Revenue Development Area capital projects	-	-	-	-	1,411,631	1,411,631
Eligible Real Estate Excise Tax capital projects	-	-	-	-	504,430	504,430
<b>Assigned to:</b>						
Cemetery operations	126,387	-	-	-	-	126,387
Senior services	47,058	-	-	-	-	47,058
Police K-9 program	22,845	-	-	-	-	22,845
Charitable events	3,322	-	-	-	-	3,322
LEOFF I retiree benefits	88,332	-	-	-	-	88,332
DUI cost recovery program	30,469	-	-	-	-	30,469
Street maintenance	1,100,000	-	-	-	-	1,100,000
Budget Stability Policy capital and debt	1,084,170	-	-	-	-	1,084,170
Target fund balance	3,108,685	-	-	-	-	3,108,685
Debt service	-	-	-	-	214,030	214,030
<b>Unassigned:</b>	<b>-</b>	<b>(1,372,332)</b>	<b>-</b>	<b>(650,267)</b>	<b>-</b>	<b>(2,022,599)</b>
<b>Total fund balances</b>	<b>5,791,995</b>	<b>(1,349,103)</b>	<b>1,827,046</b>	<b>(650,267)</b>	<b>5,255,997</b>	<b>10,875,668</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,112,748</b>	<b>\$ 1,922,302</b>	<b>\$ 1,951,637</b>	<b>\$ 49,733</b>	<b>\$ 5,338,006</b>	<b>\$ 19,374,426</b>

The notes to the financial statements are an integral part of this statement.

City of Puyallup  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2014

Total fund balances per fund financial statements	\$ 10,875,668
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	184,069,855
Certain liabilities (such as bonds payable and accrued expenses) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	(52,202,487)
Cumulative consolidation of internal service fund activities related to enterprise funds.	949,446
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are not reported in this fund financial statement but they are reported in the statement of net position.	4,893,196
Deferred inflows of resources in the governmental funds are susceptible to full accrual on the statement of net position.	<u>3,574,361</u>
Net position for governmental activities	<u>\$ 152,160,039</u>

The notes to the financial statements are an integral part of this statement.

City of Puyallup  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2014

	General Fund	Street Fund	Parks Capital Improvement Fund	Civic Center Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 29,733,929	\$ -	\$ 316,289	\$ -	\$ 3,000,488	\$ 33,050,706
Licenses and permits	1,496,278	-	-	-	-	1,496,278
Intergovernmental	1,609,414	3,582,410	309,502	87,593	1,022,669	6,611,588
Charges for services	2,382,393	776,997	260,380	-	-	3,419,770
Fines and forfeitures	2,764,859	-	-	-	-	2,764,859
Special assessments	-	-	-	-	5,173	5,173
Investment earnings	5,587	1,280	1,293	103	3,485	11,748
Contributions and donations	77,353	-	-	-	-	77,353
Miscellaneous	255,038	-	-	-	24,464	279,502
Total revenues	38,324,851	4,360,687	887,464	87,696	4,056,279	47,716,977
<b>EXPENDITURES</b>						
Current:						
General government	1,656,252	-	-	1,148	1,260	1,658,660
Judicial	1,373,275	-	-	-	-	1,373,275
Public safety	18,165,198	-	-	-	53,189	18,218,387
Physical environment	837,022	-	-	-	-	837,022
Utilities	325,143	-	-	-	-	325,143
Transportation	1,257,216	2,227,382	-	-	-	3,484,598
Economic environment	2,391,694	-	-	-	476,387	2,868,081
Culture and recreation	5,661,589	-	220,223	-	-	5,881,812
Capital outlay	337,560	5,061,324	677,808	183,724	69,219	6,329,635
Debt service:						
Principal retirement	-	-	-	-	3,316,485	3,316,485
Interest and fiscal charges	-	-	-	-	1,292,057	1,292,057
Total expenditures	32,004,949	7,288,706	898,031	184,872	5,208,597	45,585,155
Excess (deficiency) of revenues over expenditures	6,319,902	(2,928,019)	(10,567)	(97,176)	(1,152,318)	2,131,822
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	90,000	4,895,008	64,672	245,015	4,082,562	9,377,257
Sale of capital assets	-	15,232	497	-	-	15,729
Other long-term debt proceeds	-	41,144	-	-	-	41,144
Refunding bonds issued	-	-	-	-	7,723,170	7,723,170
Premium on refunding bonds issued	-	-	-	-	464,018	464,018
Payment to refunded bond escrow agent	-	-	-	-	(8,266,311)	(8,266,311)
Transfers out	(6,002,706)	(770,036)	-	-	(2,932,220)	(9,704,962)
Total other financing sources (uses)	(5,912,706)	4,181,348	65,169	245,015	1,071,219	(349,955)
Net change in fund balances	407,196	1,253,329	54,602	147,839	(81,099)	1,781,867
FUND BALANCES, BEGINNING	5,384,799	(2,602,432)	1,772,444	(798,106)	5,337,096	9,093,801
FUND BALANCES, ENDING	\$ 5,791,995	\$ (1,349,103)	\$ 1,827,046	\$ (650,267)	\$ 5,255,997	\$ 10,875,668

The notes to the financial statements are an integral part of this statement.

City of Puyallup  
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, 2014

Net change in total fund balances per fund financial statements	\$ 1,781,867
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. This is the amount by which depreciation exceeded capital outlays for the year, resulting in a reduction.	(1,226,482)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.	3,180,017
The net revenues (expenses) of Internal Service Funds related to governmental programs are not reported in this fund financial statement because they are presented on a different accounting basis, but they are presented in the statement of activities.	2,248,174
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(934,791)
Deferred inflows of resources in the governmental funds are susceptible to full accrual on the statement of net position.	<u>245,334</u>
Change in net position for governmental activities	<u>\$ 5,294,119</u>

The notes to the financial statements are an integral part of this statement.

City of Puyallup  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Year Ended December 31, 2014

	Budget Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes	\$ 27,350,417	\$ 27,350,417	\$ 29,733,929	\$ 2,383,512
Licenses and permits	1,430,911	1,430,911	1,496,278	65,367
Intergovernmental	1,445,180	1,515,052	1,609,414	94,362
Charges for services	1,913,736	1,973,704	2,382,393	408,689
Fines and forfeitures	2,267,622	2,267,622	2,764,859	497,237
Investment earnings	5,519	5,519	5,587	68
Contributions and donations	13,230	92,283	77,353	(14,930)
Miscellaneous	2,246,728	2,246,728	255,038	(1,991,690)
Total revenues	36,673,343	36,882,236	38,324,851	1,442,615
EXPENDITURES				
Current:				
General government	1,877,740	1,771,787	1,656,252	115,535
Judicial	1,390,624	1,398,101	1,373,275	24,826
Public safety	17,877,611	18,043,065	18,165,198	(122,133)
Physical environment	792,734	802,504	837,022	(34,518)
Utilities	389,156	390,373	325,143	65,230
Transportation	1,573,907	1,581,841	1,257,216	324,625
Economic environment	2,373,868	2,422,111	2,391,694	30,417
Culture and recreation	5,646,300	5,698,338	5,661,589	36,749
Capital outlay	545,433	485,933	337,560	148,373
Total expenditures	32,467,373	32,594,053	32,004,949	589,104
Excess (deficiency) of revenues over expenditures	4,205,970	4,288,183	6,319,902	2,031,719
OTHER FINANCING SOURCES (USES)				
Transfers in	99,000	99,000	90,000	(9,000)
Transfers out	(6,037,909)	(5,977,186)	(6,002,706)	(25,520)
Total other financing sources (uses)	(5,938,909)	(5,878,186)	(5,912,706)	(34,520)
Net change in fund balances	(1,732,939)	(1,590,003)	407,196	1,997,199
FUND BALANCES, BEGINNING	5,384,799	5,384,799	5,384,799	-
FUND BALANCES, ENDING	\$ 3,651,860	\$ 3,794,796	\$ 5,791,995	\$ 1,997,199

The notes to the financial statements are an integral part of this statement.



	Business Type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Storm & Surface Water	Other Nonmajor	Total	Internal Service Funds
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 1,274,487	\$ 11,842,929	\$ 9,005,481	\$ 46,683	\$ 22,169,580	\$ 6,029,755
Restricted cash and cash equivalents	486,143	1,663,897	292,146	197,234	2,639,420	18,161
Receivables:						
Customer accounts	707,138	1,706,981	709,172	84,833	3,208,124	-
Other receivables	5,591	2,270	9,247	-	17,108	79,297
Interfund loans receivable	-	620,336	-	-	620,336	-
Due from other governmental units	193,861	125,630	998,976	-	1,318,467	191,789
Inventories	81,689	98,978	-	-	180,667	45,179
Prepaid and other current assets	-	1,150	93	1,150	2,393	119,983
<b>Total Current Assets</b>	<b>2,748,909</b>	<b>16,062,171</b>	<b>11,015,115</b>	<b>329,900</b>	<b>30,156,095</b>	<b>6,484,164</b>
<b>Noncurrent Assets</b>						
Restricted cash and cash equivalents	1,404,839	242,236	213,226	-	1,860,301	-
Advances to other funds	-	2,184,251	550,000	-	2,734,251	-
Capital assets (net)	44,892,917	47,986,966	27,522,323	3,633,548	124,035,754	13,847,047
<b>Total Noncurrent Assets</b>	<b>46,297,756</b>	<b>50,413,453</b>	<b>28,285,549</b>	<b>3,633,548</b>	<b>128,630,306</b>	<b>13,847,047</b>
<b>TOTAL ASSETS</b>	<b>49,046,665</b>	<b>66,475,624</b>	<b>39,300,664</b>	<b>3,963,448</b>	<b>158,786,401</b>	<b>20,331,211</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amounts on debt refunding	33,217	120,930	495	-	154,642	96,819
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>33,217</b>	<b>120,930</b>	<b>495</b>	<b>-</b>	<b>154,642</b>	<b>96,819</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Current payables	159,433	158,929	94,399	4,909	417,670	197,951
Claims and judgements payable	-	-	-	-	-	1,375,975
Other current liabilities	102,747	93,614	61,277	4,606	262,244	233,047
Interfund loans payable	-	-	-	38,556	38,556	-
Due to other governmental units	25,591	19,989	5,426	894	51,900	2,177
Revenues collected in advance	155,812	-	4,763	57,469	218,044	-
Accrued interest payable	-	5,591	256	9,358	15,205	8,286
Council approved general obligation bonds	-	-	-	178,635	178,635	339,005
Council approved other general obligation debt	-	-	-	-	-	370,456
Other revenue debt	-	372,755	11,368	-	384,123	-
Liabilities payable from restricted assets:						
Revenue bonds payable	479,814	1,623,984	284,073	266,161	2,654,032	15,485
Accrued interest payable	6,329	39,913	8,073	9,746	64,061	446
<b>Total Current Liabilities</b>	<b>929,726</b>	<b>2,314,775</b>	<b>469,635</b>	<b>570,334</b>	<b>4,284,470</b>	<b>2,542,828</b>
<b>Long-term Liabilities</b>						
Accrued employee leave benefits	119,018	171,715	57,403	10,334	358,470	275,018
Advances from other funds	-	-	-	124,974	124,974	-
<b>Subtotal long-term liabilities</b>	<b>119,018</b>	<b>171,715</b>	<b>57,403</b>	<b>135,308</b>	<b>483,444</b>	<b>275,018</b>
Bonds and loans payable						
Council approved general obligation bonds	-	-	-	477,559	477,559	2,511,737
Council approved other general obligation debt	-	-	-	-	-	771,302
Revenue bonds	1,487,251	8,024,615	956,766	1,506,106	11,974,738	52,260
Other revenue debt	-	745,511	90,947	-	836,458	-
<b>Subtotal bonds and loans payable</b>	<b>1,487,251</b>	<b>8,770,126</b>	<b>1,047,713</b>	<b>1,983,665</b>	<b>13,288,755</b>	<b>3,335,299</b>
<b>Total Long-term Liabilities</b>	<b>1,606,269</b>	<b>8,941,841</b>	<b>1,105,116</b>	<b>2,118,973</b>	<b>13,772,199</b>	<b>3,610,317</b>
<b>TOTAL LIABILITIES</b>	<b>2,535,995</b>	<b>11,256,616</b>	<b>1,574,751</b>	<b>2,689,307</b>	<b>18,056,669</b>	<b>6,153,145</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred amounts on debt refunding	34,170	31,546	76,623	1,693	144,032	4,256
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>34,170</b>	<b>31,546</b>	<b>76,623</b>	<b>1,693</b>	<b>144,032</b>	<b>4,256</b>
<b>NET POSITION</b>						
Net investment in capital assets	42,924,899	37,309,485	26,103,041	2,948,709	109,286,134	9,879,365
Restricted for debt service	181,417	989,826	117,847	172,862	1,461,952	6,490
Restricted for future capital expenses	1,361,474	-	80,400	-	1,441,874	-
Restricted for self insurance	-	-	-	-	-	187,500
Unrestricted	2,041,927	17,009,081	11,348,497	(1,849,123)	28,550,382	4,197,274
<b>TOTAL NET POSITION</b>	<b>\$ 46,509,717</b>	<b>\$ 55,308,392</b>	<b>\$ 37,649,785</b>	<b>\$ 1,272,448</b>	<b>140,740,342</b>	<b>\$ 14,270,629</b>
Reconciliation to government-wide statement of net position:						
Adjustment to reflect the cumulative consolidation of internal service fund activities related to enterprise funds.					(949,446)	
Net position of business-type activities					\$ 139,790,896	

The notes to the financial statements are an integral part of this statement.

City of Puyallup  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2014

	Business Type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Storm and Surface Water	Other Nonmajor	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 4,719,218	\$ 9,408,002	\$ 4,067,337	\$ 721,197	\$ 18,915,754	\$ 19,409,990
Other operating revenues	18,292	752	238,702	-	257,746	1,456
Total operating revenues	4,737,510	9,408,754	4,306,039	721,197	19,173,500	19,411,446
OPERATING EXPENSES						
Operations and maintenance	2,556,673	3,948,373	2,327,887	324,367	9,157,300	15,862,561
Administration / overhead	1,057,718	1,260,418	1,121,957	44,280	3,484,373	1,200,869
Taxes	565,868	985,686	407,972	3,970	1,963,496	33,872
Depreciation	976,461	2,124,769	825,262	147,761	4,074,253	1,999,071
Total operating expenses	5,156,720	8,319,246	4,683,078	520,378	18,679,422	19,096,373
Operating income (loss)	(419,210)	1,089,508	(377,039)	200,819	494,078	315,073
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	2,186	99,075	7,934	256	109,451	4,573
Gain (Loss) on sale of capital assets	(12,502)	-	1,574	-	(10,928)	33,596
Other non-operating revenues	88,707	-	-	5,000	93,707	-
Interest and fiscal charges	(47,903)	(314,556)	(31,688)	(90,415)	(484,562)	(133,424)
Non-operating revenues net of expenses	30,488	(215,481)	(22,180)	(85,159)	(292,332)	(95,255)
Income before contributions and transfers	(388,722)	874,027	(399,219)	115,660	201,746	219,818
Capital contributions	508,386	1,019,806	1,345,506	-	2,873,698	2,400
Transfers in	-	-	-	239,834	239,834	178,492
Transfers out	(9,750)	(63,644)	(2,528)	-	(75,922)	(44,699)
Change in net position	109,914	1,830,189	943,759	355,494	3,239,356	356,011
Net position at beginning of year	46,399,803	53,478,203	36,706,026	916,954		13,914,618
Net position at end of year	\$ 46,509,717	\$ 55,308,392	\$ 37,649,785	\$ 1,272,448		\$ 14,270,629
Reconciliation to government-wide statement of activities:						
Adjustment to reflect the current year consolidation of internal service fund activities related to enterprise funds					106,908	
Change in net position of business-type activities					\$ 3,346,264	

The notes to the financial statements are an integral part of this statement.

City of Puyallup  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2014

	Business Type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Storm & Surface Water	Other Nonmajor	Total	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 4,769,840	\$ 9,551,101	\$ 4,129,583	\$ 711,138	\$ 19,161,662	\$ 856,245
Cash received from other funds for services	-	-	-	-	-	18,535,622
Other operating cash receipts	106,999	646	125,561	5,000	238,206	1,431
Cash payments to suppliers for goods and services	(960,718)	(2,099,049)	(813,821)	(61,429)	(3,935,017)	(4,259,409)
Cash payments to employees for services	(1,910,654)	(2,048,903)	(1,430,776)	(163,157)	(5,553,490)	(11,517,523)
Cash payments to other funds for services	(1,195,065)	(2,434,923)	(1,742,450)	(145,981)	(5,518,419)	(1,701,585)
Net cash provided (used) by operating activities	810,402	2,968,872	268,097	345,571	4,392,942	1,914,781
Cash flows from non-capital financing activities:						
Proceeds from operating grants	-	106	123,037	-	123,143	25
Transfers to other funds	(9,750)	(63,644)	(2,528)	-	(75,922)	(44,699)
Transfers from other funds	-	-	-	239,834	239,834	178,492
Net cash provided (used) by non-capital financing activities	(9,750)	(63,538)	120,509	239,834	287,055	133,818
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(860,393)	(2,066,327)	(1,647,013)	(14,677)	(4,588,410)	(1,438,686)
Proceeds from sale of capital assets	-	-	-	-	-	52,378
Proceeds from debt refunding	-	-	-	-	-	1,809,378
Interest paid on debt	(65,025)	(348,726)	(59,068)	(103,960)	(576,779)	(354,222)
Principal paid on debt	(475,426)	(1,981,851)	(290,386)	(470,103)	(3,217,766)	(1,930,161)
Capital contributions	341,142	894,997	396,558	-	1,632,697	150,132
Net cash provided (used) by capital and related financing activities	(1,059,702)	(3,501,907)	(1,599,909)	(588,740)	(6,750,258)	(1,711,181)
Cash flows from investing activities:						
Proceeds from sale and maturities of investments	-	859,145	250,000	-	1,109,145	-
Interest on cash and investments	2,187	99,075	7,934	256	109,452	4,573
Net cash provided (used) by investing activities	2,187	958,220	257,934	256	1,218,597	4,573
Net increase in cash and cash equivalents	(256,863)	361,647	(953,369)	(3,079)	(851,664)	341,991
Cash and cash equivalents, beginning of year	3,422,332	13,387,415	10,464,222	246,996	27,520,965	5,705,925
Cash and cash equivalents, end of year	\$ 3,165,469	\$ 13,749,062	\$ 9,510,853	\$ 243,917	\$ 26,669,301	\$ 6,047,916
Cash and cash equivalents	1,274,487	11,842,929	9,005,481	46,683	22,169,580	6,029,755
Restricted cash and cash equivalents	1,890,982	1,906,133	505,372	197,234	4,499,721	18,161
Total cash and cash equivalents	\$ 3,165,469	\$ 13,749,062	\$ 9,510,853	\$ 243,917	\$ 26,669,301	\$ 6,047,916
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:						
Income (loss) from operations	\$ (419,210)	\$ 1,089,508	\$ (377,039)	\$ 200,819	\$ 494,078	\$ 315,073
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:						
Depreciation	976,461	2,124,769	825,262	147,761	4,074,253	1,999,071
Operating grant revenues	-	(106)	(113,140)	-	(113,246)	(25)
Other non-operating revenues	88,707	-	-	5,000	93,707	-
Changes in assets and liabilities:						
Decrease (increase) in receivables	36,343	149,367	64,740	7,286	257,736	(45,993)
Decrease (increase) in prepaids & other current assets	7,236	-	60	945	8,241	(37,889)
Decrease (increase) in inventory	293	5	-	-	298	11,455
Increase (decrease) in accounts payable	69,134	(360,945)	(122,168)	(922)	(414,901)	(460,984)
Increase (decrease) in current payables	30,295	(33,726)	(9,618)	786	(12,263)	134,073
Increase (decrease) in revenues collected in advance	21,143	-	-	(16,104)	5,039	-
Net cash provided (used) by operating activities	\$ 810,402	\$ 2,968,872	\$ 268,097	\$ 345,571	\$ 4,392,942	\$ 1,914,781

There were no noncash activities.

The notes to the financial statements are an integral part of this statement.

City of Puyallup  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2014

	<i>PENSION TRUST</i>
	<hr/>
	Firemen's Pension
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 1,077,942
	<hr/>
TOTAL ASSETS	1,077,942
	<hr/>
LIABILITIES	
Current payables	-
	<hr/>
TOTAL LIABILITIES	-
	<hr/>
NET POSITION	
Held in trust for pension benefits	1,077,942
	<hr/>
TOTAL NET POSITION	\$ 1,077,942
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The notes to the financial statements are an integral part of this statement.

City of Puyallup  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2014

	<i>PENSION TRUST</i>
	<u>Firemen's Pension</u>
ADDITIONS	
Fire insurance payments	\$ 58,944
Investment earnings	758
Transfers in	<u>30,000</u>
Total additions	<u>89,702</u>
DEDUCTIONS	
Benefit payments	<u>113,872</u>
Total deductions	<u>113,872</u>
Change in net position	(24,170)
NET POSITION, Beginning of Year	<u>1,102,112</u>
NET POSITION, End of Year	<u><u>\$ 1,077,942</u></u>

The notes to the financial statements are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Puyallup conform to generally accepted accounting principles as applied to city governments. The following is a summary of the more significant policies.

#### A. *Reporting Entity*

The City of Puyallup (the City) was incorporated on August 19, 1890, and operates under the laws of the State of Washington applicable to a non-charter code city with a council-manager form of government.

The City's Comprehensive Annual Financial Report (CAFR) includes the primary government for which the city is considered to be financially accountable. The City is a general purpose government and provides a wide range of municipal services, which include: police, engineering, parks and recreation, library, cemetery, street, and administrative services. Also included in the City's Enterprise Fund financial reports are water, wastewater, storm and surface water, sanitation and Pioneer Park Pavilion activities.

#### Joint Ventures

The City participates in a joint venture, Metro Animal Services, with the City of Sumner. Metro Animal Services is a partnership that shelters, protects and unites the pets and people of seven cities in eastern Pierce County. It is operated by the City of Sumner and utilizes a shelter provided by the City of Puyallup. The cities of Algona, Bonney Lake, Edgewood, Milton and Pacific participate by interlocal agreement.

#### 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 City. With the exception of interfund services provided and used, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

### **C. *Measurement focus, basis of accounting, and financial statement presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, utility taxes, franchise taxes, licenses, and interest associated with the current fiscal 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 assessments 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 government.

The government reports the following major governmental funds:

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

The *street fund* accounts for taxes, transportation impact fees and other monies restricted or appropriated by the Council for major repairs and construction of City streets.

The *parks capital improvement fund* accounts for monies restricted or appropriated by the Council for purchases, construction and major building repairs of parks facilities.

The *civic center fund* accounts for monies appropriated by the City Council for the purpose of planning, designing, and constructing civic center projects.

The government reports the following major proprietary funds:

The *water utility fund* accounts for operations to provide water services to the City. Activities which are primarily supported by user fees include administration, billings and collections, debt service, engineering, construction, operation, maintenance, and repairs.

The *wastewater utility fund* accounts for operations to provide wastewater services to the City. Activities which are primarily supported by user fees include administration, billings and collections, debt service, engineering, construction, operation, maintenance, and repairs.

The *storm and surface water utility fund* accounts for operations to provide storm water collection and disposal services to the City. Activities which are primarily supported by user fees include administration, billings and collections, debt service, engineering, construction, operation, maintenance, and repairs.

Additionally, the government reports the following fund types:

*Internal service funds* account for fleet management, insurance, information technology and communications, facility maintenance, and healthcare insurance services provided to other departments or

agencies of the government, or to other governments, on a cost reimbursement basis.

*Fiduciary funds* are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

The *firemen's pension fund* accounts for the payment of pension benefits and administrative costs for retired firefighters (and beneficiaries) who were employed prior to March 1, 1970.

Primary revenue sources are fire insurance premium taxes, and investment interest.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, 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 City's enterprise funds and of the government's internal service funds are charges to customers for sales and services. 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. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

## ***D. Assets, liabilities, and net assets or equity***

### ***1. Cash, cash equivalents and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investment earnings are prorated to the various funds.

Investments for the City are reported at fair value based on quoted market prices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

### ***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied as of January 1 on property values assessed as of the same date. The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. On January 1, taxes are levied and become an enforceable lien against properties. On February 14, two tax bills are mailed. On April 30, the first of two equal installment payments is due. On October 31, the second



installment is due. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

### ***3. Inventories and prepaid items***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### ***4. Restricted assets***

Proceeds of the City's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The City also has restricted assets for capital purposes.

### ***5. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 and greater. 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life</u>
Buildings	30 - 60
Building/other improvements	10 - 15
System infrastructure	15 - 60
Vehicles	5 - 12
Office equipment	5 - 8
Heavy equipment	5 - 10

### ***6. Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Vacation leave accumulates at various rates, depending upon date of hire, contract and City policy. Vacation leave is payable upon termination of employment. Sick leave accumulates at four hours per pay period; an employee may receive some or all of accumulated sick leave upon termination of employment, depending upon date of hire, contract and City policy. The liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements.

### ***7. Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and

discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **8. Fund equity**

In accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balance as follows:

### Nonspendable

Fund balance amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact.

### Restricted

Fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

### Committed

Fund balance amounts that are constrained for specific purposes which are internally imposed by the City Council through ordinance, and require similar formal action by the City Council to remove.

### Assigned

Fund balance amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed. The City Council assigns fund balance through the allocation of resources for specific purposes as expressed through the budget process and adoption of the final budget. The City Council has not authorized any other body or official to assign fund balances.

### Unassigned

Fund balance amounts that represent residual positive fund balance within the General Fund that has not been classified as restricted, committed, or assigned, and negative fund balances in other governmental funds.

The City considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. When expenditures of unrestricted fund balance are incurred, the City considers committed amounts spent first, then assigned amounts, and lastly unassigned amounts.

The City Council has established a minimum fund balance policy, adopted with the annual budget, that ending fund balance in the General Fund should be at least 8%, but no more than 12% of recurring operating expenditures. The amount necessary to reach the minimum fund balance, after nonspendable, restricted, committed, and assigned amounts have been accounted for, is reported as an assigned amount.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. *Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position*

The governmental fund balance sheet includes a 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 “Certain liabilities (such as bonds payable and accrued expenses) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position”. The details of this \$(52,202,487) difference are as follows:

Bonds and loans payable	\$ 44,427,085
Deferred outflows of resources (deferred amounts on debt refunding)	(2,116,401)
Deferred inflows of resources (deferred amounts on debt refunding)	8,512
Accrued interest payable	252,478
Compensated absences	2,916,059
Net OPEB obligation	5,209,791
Net pension liability	1,504,963
	<u>\$ 52,202,487</u>
Table 2a-a	

Another element of that reconciliation explains that “Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are not reported in this fund financial statement but they are reported in the statement of net position”. The details of this \$4,893,196 difference are as follows:

Internal Service Funds' Total Net Position	\$ 14,270,629
Less Internal Service Funds' capital assets already included on the line item for capital assets on the Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	(13,847,047)
Less Internal Service Funds' debt already included on the line item for certain liabilities (such as bonds payable and accrued expenses) on the Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	
Compensated absences, current portion	218,182
Accrued interest payable	8,732
General obligation bonds payable, current portion	339,005
Other general obligation debt payable, current portion	370,456
Revenue bonds payable, current portion	15,485
Compensated absences, long-term portion	275,018
General obligation bonds payable, long-term portion	2,511,737
Other general obligation debt payable, long-term portion	771,302
Revenue bonds payable, long-term portion	52,260
Deferred inflows of resources (deferred amounts on debt refunding)	4,256
Deferred outflows of resources (deferred amounts on debt refunding)	(96,819)
	<u>\$ 4,893,196</u>
Table 2a-b	

**B. Explanation of certain differences between the governmental fund 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 a 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. One element of that reconciliation explains that “Capital outlays are reported as expenditures in this fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. This is the amount by which depreciation exceeded capital outlays for the year, resulting in a reduction”.

The details of this \$(1,226,482) difference are as follows:

Capital outlay, governmental funds	\$ 6,329,635
Depreciation expense	(7,567,617)
Capital assets received as donations	11,500
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (1,226,482)
Table 2b-a	

Another element of that reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position”. The details of this \$3,180,017 difference are as follows:

Debt proceeds	\$ (8,228,332)
Principal retirement	11,408,349
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 3,180,017
Table 2b-b	

Another element of that reconciliation states that “The net revenues (expenses) of Internal Service Funds related to governmental programs are not reported in this fund financial statement because they are presented on a different accounting basis, but they are presented in the statement of activities”. The details of this \$2,248,174 difference are as follows:

Internal Service Funds' change in net position	\$ 356,011
Depreciation already included in capital outlay reconciliation	1,999,071
Internal Service Funds' expense eliminations	(106,908)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 2,248,174
Table 2b-c	

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$(934,791) difference are as follows:

Compensated absences	\$ (157,049)
Net OPEB obligation	(704,041)
Net pension liability	701
Accrued interest	30,086
Amortization of deferred amounts on debt refunding	(264,565)
Amortization of bond discounts/premiums	160,077
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (934,791)</u>
Table 2b-d	

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. Budgetary information**

Annual appropriated budgets are adopted for the general and special revenue funds using the modified accrual basis of accounting. Proprietary funds are budgeted on the accrual basis. For governmental funds, both budget and actual information is presented on a GAAP basis of accounting. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but the financial statements include budgetary comparisons for annually budgeted governmental funds only. Budgets for debt service and capital projects funds are adopted at the level of the individual debt issue or project for fiscal periods that correspond to the lives of debt issues or projects, and are not required to be re-appropriated each year.

Annual appropriated budgets are adopted at the level of the fund, and the budgets constitute the legal authority for expenditures at that level. Total fund appropriation includes expenditures, other financing uses, and estimated ending fund balance. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

Appropriations for general and special revenue funds lapse at year end.

#### Procedures for Adopting the Original Budget

The City's budget procedures are mandated by State of Washington Code (RCW 35A.33). The steps in the budget process are as follows:

- a. On or before the first Monday in November, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months. In addition, revenue estimates made by the Finance Director are included.
- b. The Council conducts public hearings on the proposed budget in November and December.
- c. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.

#### Amending the Budget

Budget adjustments are made periodically throughout the year when changes in a fund's appropriation are necessary. Transfers between departments within any one fund may be made by order of the City Manager. Any change in total fund appropriation requires Council approval by ordinance. Adjustments authorized by ordinance become effective five days after publication. All other adjustments become effective immediately.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. As part of the budget amendment process, unexpended portions of continuing capital project budgets are carried over into the new fiscal year. This simplifies reporting and control of these budgets. Original appropriations were increased during the year for a total increase of \$51,975,377.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the funds. Encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. At December 31, 2014, there were no outstanding encumbrances in the governmental funds.

***B. Fund balance deficit***

The Civic Center Fund had a deficit fund balance of \$650,267 as of December 31, 2014. This deficit is due to decisions to proceed and complete projects through the use of interfund loans with repayment scheduled over several years. With payments made on these loans in 2014, there was an improvement of \$147,839 over the previous year's fund balance.

The Street Fund had a deficit fund balance of \$1,349,103 as of December 31, 2014. This deficit is due to decisions to complete major capacity-increasing projects in advance of receiving the related funding from Traffic Impact Fees. With the 2009-2010 biennial budget, the City Council adopted a new transportation funding policy requiring adequate levels of cash in hand before commencing major work. An improvement of \$1,253,329 over the previous year's fund balance was achieved in 2014.

The Sanitation Fund had a deficit net position of \$178,153 as of December 31, 2014. This deficit resulted from the City's litigation and settlement of claims in 2011 related to migration of landfill gases from the City's former "Landfill D". Bonds were issued to finance the settlement, and sanitation rates have been raised to cover the debt service payments on the bonds. An improvement of \$252,219 over the previous year's net position was achieved in 2014.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and investments

###### Deposits

The Federal Deposit Insurance Corporation (FDIC) insures the city's deposits and investments up to \$200,000. Deposits and investments not covered by FDIC are covered under the State of Washington Public Deposit Protection Commission Act of 1969. Total public deposits may not exceed one and one-half times its net worth or 30% of the total public funds on deposit statewide in each qualified public depository. If public deposits exceed either of these limitations, it must collateralize the excess at 100%.

###### Investments

As of December 31, 2014, the City had the following investments:

Investment Type	Fair Value	Maturities Less Than One Year	Maturities Greater Than One Year
State Treasurer's Investment Pool (reported as Cash Equivalents)	\$ 17,509,021	\$ 16,108,299	\$ 1,400,722

Table 4a\_a

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The City's investment strategy is to invest cash surpluses with safety of principal as the primary concern, and to maximize interest earnings as a secondary priority. All investment decisions are based on safety assurances, liquidity requirements, and yield. The City held no investments outside the State Treasurer's Investment Pool at December 31, 2014, therefore there were no unrealized gains or losses on investments in 2014.

*Credit risk.* Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. As a means of limiting its exposure to credit risk, the City currently limits the types of securities available for investment to obligations of the U.S. government or its agencies and certificates of deposit.

Investment Type	Moody's Investor Service	Standard & Poor's
State Treasurer's Investment Pool	N/R	N/R

Table 4a\_b

*Custodial credit risk.* Custodial credit risk is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City utilizes the statewide securities custody provider, acting as an independent third party, for safekeeping its investments to limit exposure to risk and ensure the safety of the City's investments.



**B.      *Receivables***

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

Property taxes receivable (General Fund)	\$	163,366
Municipal court receivable (General Fund)		946,941
Photo enforcement fines receivable (General Fund)		2,464,054
Total deferred inflows of resources for governmental funds	\$	<u>3,574,361</u>

Table 4b

At December 31, 2014, the Water, Wastewater and Storm & Surface Water Funds reported a combined total Customer Accounts Receivable of \$3,123,291. Of this amount, \$159,337 is not expected to be collected within one year of the end of the fiscal period. Liens have been filed against the related properties and the City expects these to be ultimately collectible.

### C. *Capital assets*

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 41,820,022	\$ 607,961	\$ -	\$ 42,427,983
Construction in progress	8,908,577	5,710,599	(8,067,016)	6,552,160
Total capital assets, not being depreciated	50,728,599	6,318,560	(8,067,016)	48,980,143
Capital assets, being depreciated:				
Buildings	68,514,522	34,809	-	68,549,331
Improvements other than buildings	12,444,534	890,519	-	13,335,053
Machinery and equipment	31,522,514	2,561,231	(270,023)	33,813,722
Infrastructure	118,499,571	6,581,161	-	125,080,732
Total capital assets, being depreciated	230,981,141	10,067,720	(270,023)	240,778,838
Less accumulated depreciation for:				
Buildings	13,599,287	1,696,728	-	15,296,015
Improvements other than buildings	9,282,526	835,860	-	10,118,386
Machinery and equipment	20,813,755	2,087,822	(249,665)	22,651,912
Infrastructure	54,675,606	2,947,207	-	57,622,813
Total accumulated depreciation	98,371,174	7,567,617	(249,665)	105,689,126
Total capital assets, being depreciated, net	132,609,967	2,500,103	(20,358)	135,089,712
Governmental activities capital assets, net	\$ 183,338,566	\$ 8,818,663	\$ (8,087,374)	\$ 184,069,855

Table 4c-a1

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,833,303	\$ 119,317	\$ -	\$ 3,952,620
Construction in progress	7,133,191	4,413,981	(1,997,548)	9,549,624
Total capital assets, not being depreciated	10,966,494	4,533,298	(1,997,548)	13,502,244
Capital assets, being depreciated:				
Buildings and system	191,292,933	1,806,203	(91,700)	193,007,436
Improvements other than buildings	4,879,093	19,706	-	4,898,799
Machinery and equipment	4,244,517	256,494	(23,313)	4,477,698
Total capital assets, being depreciated	200,416,543	2,082,403	(115,013)	202,383,933
Less accumulated depreciation for:				
Buildings and system	81,892,577	3,677,139	(79,200)	85,490,516
Improvements other than buildings	2,420,957	204,169	-	2,625,126
Machinery and equipment	3,565,146	192,945	(23,310)	3,734,781
Total accumulated depreciation	87,878,680	4,074,253	(102,510)	91,850,423
Total capital assets, being depreciated, net	112,537,863	(1,991,850)	(12,503)	110,533,510
Business-type activities capital assets, net	\$ 123,504,357	\$ 2,541,448	\$ (2,010,051)	\$ 124,035,754

Table 4c-a2

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

Governmental activities:	
General government	\$ 1,073,969
Judicial	8,234
Public safety	227,876
Physical environment	55,891
Utilities	2,493
Transportation	2,998,689
Economic environment	92,091
Culture & recreation	1,109,303
Internal service funds (general government)	1,999,071
Total depreciation expense - governmental activities	<u>\$ 7,567,617</u>
Business-type activities:	
Water	\$ 976,461
Wastewater	2,124,769
Storm and surface water	825,262
Sanitation	32,595
Pioneer Park Pavilion	115,166
Total depreciation expense - business-type activities	<u>\$ 4,074,253</u>
Table 4c-b	

### Construction commitments

The City has active construction projects as of December 31, 2014. The projects include street construction and widening, parks and trails, general government facilities, technology upgrades and waterworks system improvements. At year end, the City's construction commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
<b>Street Fund</b>		
15th St. N.W./S.W.	657,476	-
N.E. Neighborhood	207,122	-
N.W. Neighborhood	86,987	-
Fruitland Ave.	69	-
14th St. S.W.	57,224	-
Traffic Calming Program	8,877	-
39th Ave. S.W. (11th St. S.W. - 17th St. S.W.)	588,759	63,661
43rd Ave. S.E. (Meridian - 5th with Signal)	716	-
43rd Ave. & 10th St. S.E. Signal	2,233	-
Richardson Dr./21st St. N.W.	3,312	-
23rd Ave. S.E. (Meridian - 9th)	141,799	78,575
Wildwood Park Elementary Safety Improvements	160,941	-
Railroad Crossings	309,746	-
39th Ave. S.E. (10th St. S.E. - Shaw Rd.)	943,352	-
7th Ave. S.W. Safety Improvements	1,328,849	114,549
Meeker/Stewart/Aylen School Crosswalks	33,229	24,682
SR 161 Safety Improvements	84,157	17,918
Milwaukee Bridge Improvements	710,681	367,487
Shaw Road (23rd Ave. S.E. - Manorwood Dr. S.E.)	42,714	958,619
South Meridian Improvements	102,683	28,491
Subtotal Street Fund	5,470,926	1,653,982
<b>Parks Capital Improvement Fund</b>		
Clarks Creek Renovation	1,615	-
DeCoursey Park Playground	62,789	-
Rainier Woods Park Restrooms	4,522	-
Recreation Center Building Improvements	75,020	4,730
Pioneer Park Improvements	8,079	-
Pioneer Park Splash Pad & Play Equipment	294,947	376,328
Veterans Park Picnic Shelter	21,432	-
Subtotal Parks Capital Improvement Fund	468,404	381,058
<b>Civic Center Fund</b>		
Police Facility Expansion	22,750	-
9th St. S.W./31st Ave. S.W. Property	18,567	-
Downtown Plan Phase II	5,686	-
Subtotal Civic Center Fund	47,003	-
<b>Internal Service Funds</b>		
Communications Center Equipment	4,733	-
Cartegraph OMS Software	53,276	-
Tiburon Upgrade	162,924	-
IFAS Upgrade	27,880	-
CAD Upgrade	30,608	-
Exchange Upgrade	61,956	-
Fiber Optic Network	53,447	-
Equipment Rental Capital Replacement	134,088	-
Corporate Yard Covered Storage	10,111	-
Corporate Yard Fuel Island Upgrades	26,804	8,026
Subtotal Internal Service Funds	565,827	8,026
<b>Total Governmental Funds</b>	<b>\$ 6,552,160</b>	<b>\$ 2,043,066</b>

Construction commitments, continued:

Project	Spent-to-Date	Remaining Commitment
<b>Sanitation Fund Projects</b>		
Landfill "D"-Barovich Cleanup	\$ 3,357	\$ -
Gas Migration System	702,593	-
Subtotal Sanitation Fund Projects	705,950	-
<b>Water Fund Projects</b>		
15th St. N.W./S.W.	195,586	-
N. Hill Water Reservoir	426,157	-
14th St. S.W.	7,582	-
Salmon Springs Main Replacement	158,889	-
Wildwood Reservoir Improvements	69,852	337,170
15th Ave. S.E. Reservoir Improvements	31,423	9,233
Recreation Center Well No. 18	1,242	-
Subtotal Water Fund Projects	890,731	346,403
<b>Wastewater Fund Projects</b>		
Manhole Lining-Citywide	115,057	-
15th St. N.W./S.W.	239,289	-
Fruitland Ave. Sewer Main	11,048	-
Pioneer Park Sewer Upgrades	18,773	-
14th St. S.W.	21,144	-
Sanitary Sewer Comp Plan	212,765	-
Generator Upgrades/Flooding Mitigation	3,006,583	-
Riverside Lift Station Upgrades	77,261	23,696
Solids Dewatering Equipment	493,152	283,562
4th & River Road Lift Station Improvements	1,357	30,283
South Hill Mall Lift Station Conversion	8,000	-
Subtotal Wastewater Fund Projects	4,204,429	337,541
<b>Storm and Surface Water Fund Projects</b>		
E. Main - Deer Creek	173,100	41,285
15th St. N.W./S.W.	2,137,447	274,841
Dead Man's Pond Property	38,740	-
14th St. S.W.	165,625	-
Linden Golf Course/Oxbow Levee	199,810	-
Meeker Creek Channel Restoration	153,252	12,824
Porous Alleys Project	248,598	-
Clark's Creek Elodea Equipment	93,588	-
Clark's Creek Outfall Retrofit	43,688	7,126
7th St. S.E. (Pioneer - 11th St. E.)	67	-
Meeker Ditch Improvements	3,804	-
Pioneer/Deer Creek Railroad Crossing	26,376	-
Puyallup River Outfall Treatment	166,687	15,124
Pioneer Place II Storm Pond	14,725	-
39th Ave. S.W. (11th St. S.W. - 17th St. S.W.)	142,220	-
Shaw Road (12th - 39th)	25,939	-
WSU Frontage Improvements	114,848	9,048
Subtotal Storm and Surface Water Fund Projects	3,748,514	360,248
<b>Total Business-Type Activities</b>	<b>\$ 9,549,624</b>	<b>\$ 1,044,192</b>
<b>Total All Funds</b>	<b>\$ 16,101,784</b>	<b>\$ 3,087,258</b>

Table 4c-c

**D. Interfund receivables, payables, and transfers**

Interfund receivables and payables within the City consist of interfund loans and other monies due to/from other funds. Interfund loans occur when the City Council adopts a resolution allowing one fund to borrow from another. Due to/from other funds occur when goods are issued or services are rendered to or for the benefit of another fund of the same government. Interfund balances are expected to be repaid within one year with the exception of four interfund loans. The first is between the General Fund and a nonmajor business-type fund for capital construction. It is being repaid over a 15-year term using income derived from the constructed asset. The second is between a major business-type fund and a major governmental fund for capital construction. It is being repaid over a 10-year term using designated governmental revenues. The third and fourth are between a major business-type fund and a major governmental fund for capital construction. They are being repaid over a 5-year term using designated governmental revenues. The following table displays interfund receivable and payable balances as of December 31, 2014:

	Interfund Loans Receivable	Interfund Loans Payable
<b>Governmental Activities</b>		
General Fund (current portion)	\$ 38,556	\$ -
General Fund (long-term portion)	124,974	-
Civic Center Fund (current portion)	-	300,000
Civic Center Fund (long-term portion)	-	400,000
Street Fund (current portion)	-	320,336
Street Fund (long-term portion)	-	2,334,251
<i>Subtotal Governmental Activities</i>	<u>163,530</u>	<u>3,354,587</u>
<b>Business-Type Activities</b>		
Wastewater Fund (current portion)	620,336	-
Wastewater Fund (long-term portion)	2,184,251	-
Storm & Surface Water Fund (long-term portion)	550,000	-
Nonmajor Business Type Funds (current portion)	-	38,556
Nonmajor Business Type Funds (long-term portion)	-	124,974
<i>Subtotal Business-Type Activities</i>	<u>3,354,587</u>	<u>163,530</u>
<b>Total Government-Wide</b>	<u><u>\$ 3,518,117</u></u>	<u><u>\$ 3,518,117</u></u>

Table 4d-a

Internal balances occur in the government-wide statement of net position for items receivable or payable between governmental and business-type activities. The following table displays the detail of the internal balances as of December 31, 2014:

Governmental Activities		Amount
Interfund Loans Receivable from Business-Type Activities	\$	163,530
Interfund Loans Payable to Business-Type Activities		(3,354,587)
Internal Service Fund Receivable from Business-Type Activities		949,446
<b>Total Governmental Activities</b>		<b>(2,241,611)</b>
Business-Type Activities		
Interfund Loans Receivable from Governmental Activities		3,354,587
Interfund Loans Payable to Governmental Activities		(163,530)
Internal Service Fund Payable to Governmental Activities		(949,446)
<b>Total Business-Type Activities</b>		<b>2,241,611</b>
<b>Net Internal Balances Government-Wide</b>	<b>\$</b>	<b>-</b>

Table 4d-b

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. These are transfers to support other funds without a requirement for repayment. Interfund transfers are used to 1) move revenues from the fund with collection authorization to the debt service funds as debt service principal and interest payments become due and 2) move unrestricted revenues to finance various programs that the government accounts for in other funds in accordance with budgetary authorizations. The interfund transfer activity for the year is shown in the following tables. The first table is interfund transfer activity for all funds.

	Transfers Out							Total Transfers In
	General Fund	Street Fund	Nonmajor Governmental Funds	Water Fund	Wastewater Fund	Storm and Surface Water Fund	Internal Service Funds	
<b>Transfers In</b>								
General Fund	\$ -	\$ -	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ 90,000
Street Fund	2,700,000	-	2,195,008	-	-	-	-	4,895,008
Parks Capital Improvement Fund	64,672	-	-	-	-	-	-	64,672
Civic Center Fund	200,000	-	45,015	-	-	-	-	245,015
Nonmajor Governmental Funds	2,912,526	770,036	400,000	-	-	-	-	4,082,562
Nonmajor Business-Type Funds	37,637	-	202,197	-	-	-	-	239,834
Internal Service Funds	57,871	-	-	9,750	63,644	2,528	44,699	178,492
Fiduciary Funds	30,000	-	-	-	-	-	-	30,000
<b>Total Transfers Out</b>	<b>\$ 6,002,706</b>	<b>\$ 770,036</b>	<b>\$ 2,932,220</b>	<b>\$ 9,750</b>	<b>\$ 63,644</b>	<b>\$ 2,528</b>	<b>\$ 44,699</b>	<b>\$ 9,825,583</b>

Table 4d-c

The next table displays transfer activity shown on the government-wide statement of activities. On the government-wide statement of activities, interfund transfers have been eliminated between the activity types.

<b>Governmental Activities</b>	<b>Amount</b>
Transfers In from Water Fund	\$ 9,750
Transfers In from Wastewater Fund	63,644
Transfers In from Storm and Surface Water Fund	2,528
Transfers Out to Nonmajor Business-Type Funds	(239,834)
<b>Total Governmental Activities</b>	<b>(163,912)</b>
<b>Business-Type Activities</b>	
Transfers In from General Fund	37,637
Transfers In from Nonmajor Governmental Funds	202,197
Transfers Out to Internal Service Funds	(75,922)
<b>Total Business-Type Activities</b>	<b>163,912</b>
<b>Net Transfers Government-Wide</b>	<b>\$ -</b>

Table 4d-d

There were no significant transfers made during 2014 that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

#### ***E. Restricted assets***

Restricted asset balances are as follows:

	<b>Amount</b>
<b>Assets Restricted for Debt Service</b>	
Water Fund	\$ 529,508
Wastewater Fund	1,906,133
Storm & Surface Water Fund	332,676
Nonmajor Business-Type Funds	197,234
Internal Service Funds	18,161
<b>Assets Restricted for Future Capital</b>	
Water Fund	1,361,474
Storm & Surface Water Fund	172,696
<b>Total Restricted Assets</b>	<b>\$ 4,517,882</b>
 <b>Restricted Assets - Governmental Activities</b>	 \$ 18,161
<b>Restricted Assets - Business-Type Activities</b>	<b>4,499,721</b>
<b>Total Restricted Assets</b>	<b>\$ 4,517,882</b>

Table 4e



## F. Long-term debt

### General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued was \$67,050,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Name of Issuance	Activity Type	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
<b>Voted:</b>						
2013 Refunding UTGO	G	Refund 2004 Refunding Library Bonds	2/12/2013	12/1/2019	0.63% - 1.96%	\$ 3,700,000
<b>Non-Voted (Councilmanic):</b>						
2003 LTGO	Both	City Hall Land/Pioneer Park Pavilion	3/6/2003	3/1/2018	3.85%	\$ 1,320,310
2007 LTGO	G	City Hall / 800 MHz	4/30/2007	12/1/2018	4.00% - 5.25%	\$ 4,675,000
2008 LTGO	G	Street Improvements	7/15/2008	7/1/2028	3.50% - 5.00%	\$ 7,555,000
2012 Refunding LTGO	G	Refund 2004 City Hall / Senior Center Bonds	5/23/2012	12/1/2024	2.50% - 3.00%	\$ 8,515,000
2013 Refunding LTGO	G	Refund 2007 City Hall / 800 MHz Bonds	2/12/2013	12/1/2026	0.85% - 3.25%	\$ 4,425,000
2014 Refunding LTGO	G	Refund 2007 City Hall / 800 MHz Bonds	5/27/2014	12/1/2026	2.00% - 4.00%	\$ 9,375,000
<b>Total General Obligation Bonds</b>						<b>\$ 39,565,310</b>
Activity Type: G = Governmental Activities						
Activity Type: Both = Governmental & Business-Type Activities						

Table 4f-a

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

Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2015	3,470,792	1,262,872	4,733,664	178,635	23,561	202,196
2016	3,587,819	1,145,817	4,733,636	185,579	16,617	202,196
2017	3,715,120	1,022,160	4,737,280	192,792	9,403	202,195
2018	3,750,385	890,721	4,641,106	99,188	1,909	101,097
2019	3,760,000	774,533	4,534,533	-	-	-
2020-2024	14,980,000	2,440,368	17,420,368	-	-	-
2025-2028	5,645,000	433,456	6,078,456	-	-	-
	<u>\$ 38,909,116</u>	<u>\$ 7,969,927</u>	<u>\$ 46,879,043</u>	<u>\$ 656,194</u>	<u>\$ 51,490</u>	<u>\$ 707,684</u>

Table 4f-b

### Special Assessment Debt

The City has special assessment debt to provide funds for the construction of infrastructure assets. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment debt currently outstanding is as follows:

Name of Issuance	Activity Type	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
1999 LID Bonds (LID 96-1)	G	Infrastructure Improvements	12/1/1999	12/1/2016	5.44%	\$ 100,000
<i>Total Special Assessment Debt</i>						<u>\$ 100,000</u>
Activity Type: G = Governmental Activities						
Table 4f-c						

Annual debt service requirements to maturity for special assessment debt are as follows:

Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2015	-	6,123	6,123	-	-	-
2016	100,000	6,122	106,122	-	-	-
	<u>\$ 100,000</u>	<u>\$ 12,245</u>	<u>\$ 112,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Table 4f-d						

## Revenue Bonds

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds currently outstanding are as follows:

Name of Issuance	Activity Type	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2004 Refunding Revenue Bonds	B	Refund 1992, 1993 and 1995 Bonds and 1998 and 2000 SRF Loans	3/4/2004	6/1/2016	2.25% - 5.00%	\$ 1,495,000
2009 Refunding Revenue Bonds	Both	Refund 1995, 1998 and 1999 Bonds	5/5/2009	11/1/2019	2.00% - 4.50%	\$ 2,325,000
2009 Revenue Bonds	B	Combined Utility Capital Improvements	5/5/2009	11/1/2028	3.00% - 4.38%	\$ 3,940,000
2011 Revenue Bonds	B	Settlement of Claims	2/15/2011	11/1/2020	3.00% - 4.00%	\$ 1,690,000
2013 Refunding Revenue Bonds	B	Refund 2004 Refunding Bonds	2/12/2013	6/1/2020	2.00%	\$ 4,945,000
<i>Total Revenue Bonds</i>						<u>\$ 14,395,000</u>
Activity Type: B = Business-Type Activities						
Activity Type: Both = Governmental & Business-Type Activities						

Table 4f-e

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

Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2015	30,969	5,353	36,322	2,654,032	438,924	3,092,956
2016	32,364	4,114	36,478	2,802,636	355,058	3,157,694
2017	33,759	2,819	36,578	2,031,240	283,362	2,314,602
2018	15,903	1,469	17,372	1,644,097	224,912	1,869,009
2019	16,740	753	17,493	1,693,260	176,691	1,869,951
2020-2024	-	-	-	2,085,000	480,666	2,565,666
2025-2028	-	-	-	1,355,000	150,115	1,505,115
	<u>\$ 129,735</u>	<u>\$ 14,508</u>	<u>\$ 144,243</u>	<u>\$ 14,265,265</u>	<u>\$ 2,109,728</u>	<u>\$ 16,374,993</u>

Table 4f-f

### Other Long-Term Debt

The City has other long-term debt to provide funds for acquisition and construction of major capital facilities. This debt may either be a direct obligation which pledges the full faith and credit of the City or may be paid from income derived from the acquired or constructed assets. Other long-term debt currently outstanding is as follows:

Name of Issuance	Activity Type	Purpose	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
1997 Public Works Trust Fund Loan	B	Wastewater Utility Improvements	8/28/1997	6/1/2017	1.00%	\$ 1,118,266
2003 Public Works Trust Fund Loan	Both	39th Ave SW/SE at Meridian Improvements	5/5/2003	6/1/2023	0.50% - 1.00%	\$ 3,047,183
2014 Highway Infrastructure Acct Loan	G	Milwaukee Bridge Improvements	7/29/2014	12/31/2022	0.00%	\$ 41,144
<i>Total Other Long-Term Debt</i>						<u>\$ 4,206,593</u>
Activity Type: G = Governmental Activities						
Activity Type: B = Business-Type Activities						
Activity Type: Both = Governmental & Business-Type Activities						

Table 4f-g

Annual debt service requirements to maturity for other long-term debt are as follows:

Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2015	327,207	14,725	341,932	384,123	11,695	395,818
2016	327,208	13,087	340,295	384,123	7,911	392,034
2017	327,208	11,452	338,660	384,123	4,126	388,249
2018	327,208	9,816	337,024	11,369	340	11,709
2019	368,352	8,179	376,531	11,369	284	11,653
2020-2023	1,308,829	16,362	1,325,191	45,474	569	46,043
	<u>\$ 2,986,012</u>	<u>\$ 73,621</u>	<u>\$ 3,059,633</u>	<u>\$ 1,220,581</u>	<u>\$ 24,925</u>	<u>\$ 1,245,506</u>

Table 4f-h

### Arbitrage

The City engages an outside agency to calculate arbitrage rebate liability on outstanding tax-exempt bonds under Section 148(f) of the Internal Revenue Code. No additional rebate was found due for any revenue or general obligation bonds for 2014.

### Compensated Absences

Accumulated amounts of sick and vacation leave are accrued as expenses when incurred in proprietary funds and in the governmental activities column of the statement of net position.

At year end 2014, the recorded liability for sick and vacation time amounted to \$2,916,058 in governmental activities and \$590,753 in business-type activities. Vacation leave accumulates at various rates, depending upon date of hire, contract and City policy; vacation leave is payable upon termination of employment. Sick leave accumulates at four hours per pay period; an employee may receive some or all of accumulated sick leave upon termination of employment, depending upon date of hire, contract and City policy.

### Refunded Debt

On May 27, 2014, the City issued \$9,430,000 in Limited Tax General Obligation Refunding Bonds with an average interest rate of 2.99% to advance refund \$8,835,000 of outstanding 2007 Limited Tax General Obligation Bonds. The net proceeds were used to purchase U.S. government securities which were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the liabilities for these bonds have been removed from the City's financial statements. The advance refunding resulted in a reduction in the aggregate debt service payments of \$705,321 and an economic gain (difference between the present values of the old and new debt service payments) of \$620,756.

A schedule of assets, liabilities, and net position of the City's escrow accounts as of December 31, 2014 is provided in the following table.

	U.S. Bank (2007 LTGO Bonds)
<b>Assets</b>	
Cash with Trustee	\$ 609
Investments with Trustee	14,051,860
<b>Total Assets</b>	<u>14,052,469</u>
<b>Liabilities</b>	
Refunded Bonds Payable	12,775,000
<b>Total Liabilities</b>	<u>12,775,000</u>
<b>Net Position</b>	
Earnings with Trustee	1,277,469
<b>Total Net Position</b>	<u>\$ 1,277,469</u>

Table 4f-i

## G. Long-term liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds and loans payable:					
General obligation bonds	\$ 41,603,143	\$ 9,430,000	\$ 12,124,027	\$ 38,909,116	\$ 3,470,792
Special assessment debt	100,000	-	-	100,000	-
Revenue bonds	160,146	-	30,411	129,735	30,969
Other long-term debt	3,272,075	41,144	327,207	2,986,012	327,207
Unamortized discounts/premiums	1,255,419	566,566	661,519	1,160,466	-
Total bonds and loans payable	46,390,783	10,037,710	13,143,164	43,285,329	3,828,968
Capital leases	-	1,141,757	-	1,141,757	370,456
Compensated absences	2,665,875	312,077	61,894	2,916,058	1,309,351
Judgments and settlements payable	603,890	-	603,890	-	-
Net pension liability	1,505,664	-	701	1,504,963	-
OPEB obligation	4,505,750	704,041	-	5,209,791	-
Governmental activity long-term liabilities	<u>\$ 55,671,962</u>	<u>\$ 12,195,585</u>	<u>\$ 13,809,649</u>	<u>\$ 54,057,898</u>	<u>\$ 5,508,775</u>
<b>Business-type activities:</b>					
Bonds and loans payable:					
General obligation bonds	\$ 828,145	\$ -	\$ 171,951	\$ 656,194	\$ 178,635
Revenue bonds	16,889,854	-	2,624,589	14,265,265	2,654,032
Other long-term debt	1,604,705	-	384,124	1,220,581	384,123
Unamortized discounts/premiums	442,294	-	78,790	363,504	-
Total bonds and loans payable	19,764,998	-	3,259,454	16,505,544	3,216,790
Compensated absences	618,635	27,153	55,035	590,753	232,282
Business-type activity long-term liabilities	<u>\$ 20,383,633</u>	<u>\$ 27,153</u>	<u>\$ 3,314,489</u>	<u>\$ 17,096,297</u>	<u>\$ 3,449,072</u>

Table 4g

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year end, \$2,771,743 of internal service fund bonds and loans payable, \$1,141,757 of internal service fund capital leases, \$146,743 of internal service fund unamortized discounts and premiums, and \$493,201 of internal service fund compensated absences are included in the governmental activity long-term liabilities.

Compensated absences and OPEB obligations are generally liquidated by the General Fund for governmental activities.

## ***H. Leases***

### **Capital Leases**

The City has entered into a lease agreement for financing police radio equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through this capital lease are as follows:

	Governmental Activities	Business-Type Activities
Capital assets		
Motorola APX radios	\$ 1,141,757	\$ -
Less: accumulated depreciation	-	-
Total capital assets, net	<u>\$ 1,141,757</u>	<u>\$ -</u>

Table 4h-a

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2014 are as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
2015	\$ 401,397	\$ -
2016	401,397	-
2017	401,398	-
Total minimum lease payments	<u>\$ 1,204,192</u>	<u>\$ -</u>
Less: interest	<u>(62,435)</u>	<u>-</u>
Present value of minimum lease payments	<u>\$ 1,141,757</u>	<u>\$ -</u>

Table 4h-b

The City has also entered into an interlocal agreement with South Sound 911 which provides for direct reimbursement of the total minimum lease payments annually.

## **V. OTHER INFORMATION**

### **A. Accounting changes**

#### Accounting Changes

During 2014, the City implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB) related to new accounting requirements for all state and local governments:

GASB Statement No. 67 - Financial Reporting for Pension Plans. This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

Information regarding the City's Firemen's Pension Plan can be found in Section V.F. (Employee Retirement Systems and Pension Plans) of the Notes to Financial Statements and in the Required Supplementary Information.

#### Prior Period Adjustments

In accordance with the implementation of GASB Statement No. 67, a prior period adjustment of \$1,407,941 for governmental activities was made to record the Net Pension Liability related to the City's Firemen's Pension Plan.

### **B. Property taxes**

The County Assessor-Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are on approximately the 10<sup>th</sup> of each month for the prior month collections.

#### Property Tax Calendar

<i>January 1</i>	Taxes are levied and become an enforceable lien against properties.
<i>February 14</i>	Two tax bills are mailed.
<i>April 30</i>	First of two equal installment payments is due.
<i>October 31</i>	Second installment is due.

During the year, property tax revenues are recognized when payments are received from the County. At year end, property tax revenues are recognized for collections to be distributed by the County Treasurer in January. Unpaid property taxes are recorded as delinquent taxes receivable, offset by deferred inflows of resources. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The City may levy up to \$2.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

- a. Washington State (RCW 84.55.010) limits the growth of regular property taxes to one percent per year above the previous maximum lawful levy unless approved by a majority of the voters at an election as provided in RCW 84.55.050. Under this statute, local governments are free to place measures on the ballot seeking approval of property tax increases for: specific dollar amounts; specific periods of time; which can exceed one year; and/or general or limited purposes.
- 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 1 percent limit.

Special property tax levies approved by the voters are not subject to the above limitations.



The City's regular tax levy for 2014 was \$1.81 per \$1,000 on an assessed valuation of \$4.2 billion for a total regular levy of \$7,642,770. Additionally, a special levy for debt service on voter approved General Obligation Bonds for the Puyallup Library was \$0.19 per \$1,000 of assessed value. According to the Pierce County "Certification of 2013 Levies and 2014 Tax Rates" document dated January 15, 2014, the total City of Puyallup property tax levies of \$2.00 per \$1,000 of assessed value yield \$8,422,263.

### ***C. Risk management***

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Liability and property coverage is provided through the Washington Cities Insurance Authority (WCIA). In 2004, the City became a qualified self-insurer for workers' compensation and the City is self-insured through the State of Washington for unemployment claims.

#### **Liability and Property**

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 175 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.

### Workers' Compensation

Beginning January 1, 2004, the City became a qualified self-insurer for workers' compensation as an alternative to the state workers' compensation program. The self-insurance program is funded by City operating funds based on established Labor and Industries rates per worked hour for employer contributions and employee deductions. An excess coverage policy is carried at a premium cost of \$53,742 for 2014. The costs of the self-insurance program for workers' compensation totaled \$628,910 in 2014. The City continues to participate in the state workers' compensation program for claims existing prior to January 1, 2004.

### Unemployment

The City is self-insured through the State of Washington for unemployment claims. Claims are paid to the state on a quarterly basis and totaled \$28,474 for 2014.

### Insurance Fund

The City established the Insurance Fund as an Internal Service Fund to pay insurance premiums, claims, and deductibles for the above areas of risk, as well as to establish reserves for self-insurance and uncovered losses. City operating funds contribute to the Insurance Fund based on information from the contributing funds past claims experience and loss exposures. In the past three years, none of the settlements exceeded the City's insurance coverage.

Changes in the balances of claims liabilities during the past two years are as follows:

Changes in Claims Liabilities	Property & Liability		Workers' Compensation		Unemployment		Totals	
	2014	2013	2014	2013	2014	2013	2014	2013
Claims Liabilities Beginning of Year	\$ 286,645	\$ 114,647	\$ 219,611	\$ 194,008	\$ 17,259	\$ 14,973	\$ 523,515	\$ 323,628
Claims Expenses:								
Current Year and Changes in Estimates	724,854	1,264,843	477,618	707,005	11,215	104,643	1,213,687	2,076,491
Claims Payments	(882,403)	(1,092,845)	(628,910)	(681,402)	(28,474)	(102,357)	(1,539,787)	(1,876,604)
Claims Liabilities End of Year	<u>\$ 129,096</u>	<u>\$ 286,645</u>	<u>\$ 68,319</u>	<u>\$ 219,611</u>	<u>\$ -</u>	<u>\$ 17,259</u>	<u>\$ 197,415</u>	<u>\$ 523,515</u>
Table 5c-a								

The claims and judgments payable amount reported in the fund totaled \$197,415 for the period ending December 31, 2014. The amount reported is as follows:

Insurance Fund Claims and Judgments Payable	2014
Liability Program	\$ 108,200
Property Program	20,896
Unemployment Program	-
Workers' Compensation Program	68,319
Total Claims and Judgments Payable	<u>\$ 197,415</u>
Table 5c-b	

The claims and judgments payable, as reported in the fund, is based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated.

***D. Contingent liabilities***

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

***E. Subsequent Events***

On May 20, 2015, the City issued \$5,710,000 in Limited Tax General Obligation Refunding Bonds with an average interest rate of 3.85% to advance refund \$5,820,000 of outstanding 2008 Limited Tax General Obligation Bonds. The advance refunding resulted in a reduction in the aggregate debt service payments of \$354,042 and an economic gain (difference between the present values of the old and new debt service payments) of \$310,805.

On March 10, 2015, the City Council approved the sale of the Community Resource Center building to private individuals for \$580,000. The sale closed on March 25, 2015 and the proceeds have been set aside for City Council direction on use at a future date.

***F. Employee retirement systems and pension plans***

Substantially all City of Puyallup full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

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

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

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

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

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent

of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

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

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

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

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

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

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

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 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or

a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

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

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

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

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

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

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	<u>368,272</u>
Table 5f-a	

### Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee

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

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

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

**Members Not Participating in JBM:**

	<u>PERS - Plan 1</u>	<u>PERS - Plan 2</u>	<u>PERS - Plan 3</u>
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.  
 \*\*\*\* The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.  
 \*\*\*\*\* Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Table 5f-b

**Members Participating in JBM:**

	<u>PERS - Plan 1</u>	<u>PERS - Plan 2</u>	<u>PERS - Plan 3</u>
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Government*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Government	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.

Table 5f-c



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

	<u>PERS - Plan 1</u>	<u>PERS - Plan 2</u>	<u>PERS - Plan 3</u>
2014	\$ 47,206	\$ 1,164,322	\$ 139,072
2013	\$ 41,717	\$ 1,012,405	\$ 112,128
2012	\$ 51,455	\$ 920,431	\$ 95,736

Table 5f-d

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

### Plan Description

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

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

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

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

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.



The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

<u>Term of Service</u>	<u>Percent of Final Average Salary</u>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

Table 5f-e

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

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

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

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

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

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any

capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

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

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

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

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

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

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

There are 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, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Terminated Plan Members Nonvested	1,600
Total	<u>29,640</u>

Table 5f-f

### Funding Policy

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This

special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	<u>LEOFF - Plan 1</u>	<u>LEOFF - Plan 2</u>
Employer *	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%
* The employer rates include the employer administrative expense fee currently set at 0.18%.		
** The employer rate for ports and universities is 8.59%.		

Table 5f-g

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

	<u>LEOFF - Plan 1</u>	<u>LEOFF - Plan 2</u>
2014	\$ -	\$ 293,362
2013	\$ -	\$ 287,175
2012	\$ -	\$ 281,017

Table 5f-h

## **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:

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

Covered employers include:

- 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 2014, 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 completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent 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 percent 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 percent 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 percent 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 percent 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 beneficiary or the estate 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, 2013:

Retirees and Beneficiaries Receiving Benefits	43
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	119
Active Plan Members Vested	4,513
Terminated Plan Members Nonvested	1,383
Total	6,058

Table 5f-i

#### Funding Policy

Each biennium, the state Pension Funding Council adopts 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.

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, 2014, are as follows:

<u>PSERS - Plan 2</u>	
Employer *	10.54%
Employee	6.36%
* The employer rate includes an employer administrative expense fee of 0.18%.	

Table 5f-j

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

	<u>PSERS - Plan 2</u>	
2014	\$	74,200
2013	\$	62,879
2012	\$	54,909

Table 5f-k

## **Firemen's Pension Plan**

### Plan Description

The City also administers a closed, single-employer defined benefit pension plan called the Firemen's Pension Plan. As this plan is not part of any other system, the only information found on this plan is in this report. The system is shown as a pension trust fund in the financial reports of the City. This system was established by the City under Chapters 41.16 and 41.18 RCW. This plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to firemen employed by the City prior to March 1, 1970, when the LEOFF retirement system was established. All benefits are financed from member contributions made prior to LEOFF, investment earnings, an allocation of 45% of all moneys received by the State from taxes on fire insurance premiums, and City contributions. Benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan.

As of December 31, 2014, there were a total of twelve individuals covered by this system, none of which are still employed by the City. Eleven individuals were drawing benefits, and one was receiving all benefits through the LEOFF system.

The City's liability under the plan is composed of all benefits for firemen retired prior to March 1, 1970, and excess benefits over LEOFF for covered firemen retired after March 1, 1970, who are mainly covered by the LEOFF system (described above). Plan participants are eligible to retire with 25 years of service at age 50, with benefits of 2% per year of service with a maximum of 60% of the current salary paid to City firefighters. Disability benefits are 50% of the current salary paid to City firefighters. Calculations are made under both the LEOFF system and this system with the City paying the difference between the systems if benefits under this system are higher.

Management of the Firemen's Pension Plan is vested in the City's LEOFF Disability Board, which consists of five members. One member must be an elected representative for Fire Fighters, one member must be an elected representative for Law Enforcement Officers, one member must be an at-large city resident and two members must be councilmembers appointed by the Mayor.

### Funding Policy

Under State law, the current Firemen's Pension Plan member is not allowed to contribute to the Firemen's Pension Plan (he only contributes to the LEOFF system described in the previous section). Therefore, there is no determination of funding level as a percentage of covered payroll. However, the City is required to contribute amounts needed to meet current and future pension obligations, as determined by an actuarial

study. The most recent actuarial study of the system was done by the firm of Milliman to determine the funding requirements as of January 1, 2015.

#### Investments

*Investment policy.* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the City's LEOFF Disability Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The plan held no investments outside the State Treasurer's Investment Pool (reported as cash equivalents) at December 31, 2014.

*Rate of return.* For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Net Pension Liability

The components of the net pension liability of the City at December 31, 2014, were as follows:

Total pension liability	\$	2,582,905
Fiduciary net position		<u>(1,077,942)</u>
Net pension liability	\$	<u>1,504,963</u>
Fiduciary net position as a % of total pension liability		41.73%

Table 5f-l

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.25%, including inflation
Investment rate of return	3.50%, net of investment expense
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)
Actuarial cost method	Entry Age Normal

Table 5f-m

The long-term expected rate of return is determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2014.

Asset Class	Index	Long-Term Expected Real Rate of Return
Cash	Citigroup 90-Day T-Bills	0.54%
Short-Term Bonds	Citigroup 1-3 Year Gov/Cred	1.52%
Long-Term Bonds	Barclays Long Gov/Cred	2.99%
Assumed Inflation - Mean		2.25%
<b>Long-Term Expected Rate of Return</b>		<b>3.50%</b>

Table 5f-n

*Discount rate.* The discount rate used to measure the total pension liability was 3.50%. GASB Statement No. 67 generally requires that a blended discount rate be used to measure the total pension liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB Statement No. 67 will often require that the actuary perform complex projections of future benefit payments and asset values.

We believe that the assumption of 3.50% as of December 31, 2014 is an appropriate long-term expected rate of return on investments such as those in the City's trust. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years in 3.56% as of December 31, 2014. Rounding this to the nearest 1/4% results in a discount rate of 3.50%. Using 3.50% for both the long-term expected rate of return and the bond index will mean that 3.50% could be used as the single discount rate. This will need to be re-evaluated as of later valuation dates.

The plan's fiduciary net position, along with expected future contributions, was projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 3.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate.

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net pension liability	\$ 1,855,695	\$ 1,504,963	\$ 1,214,017

Table 5f-o



As previously noted, the Firemen's Pension Plan is not part of any other system, and the only information found on this plan is in this report. Therefore, the City must also present the following schedules required by GASB Statement No. 27 in this transition year.

GASB Statements No. 25 and No. 27 Schedule of 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
January 1, 1998	\$ 1,243	\$ 2,530	\$ 1,287	49%	\$ 87	1479%
January 1, 1999	1,420	1,844	424	77%	75	565%
January 1, 2001	1,605	1,656	51	97%	79	65%
January 1, 2003	1,209	1,434	225	84%	-	N/A
January 1, 2005	1,131	1,359	228	83%	-	N/A
January 1, 2007	1,209	1,237	28	98%	-	N/A
January 1, 2009	1,341	3,000	1,659	45%	-	N/A
January 1, 2011	1,242	2,692	1,450	46%	-	N/A
January 1, 2013	1,171	2,599	1,428	45%	-	N/A
January 1, 2015	1,078	2,583	1,505	42%	-	N/A

Table 5f-p

GASB Statement No. 27 Annual Pension Cost and Net Pension Obligation			
	Fiscal Year Ending December 31, 2012	Fiscal Year Ending December 31, 2013	Fiscal Year Ending December 31, 2014
Annual Required Contribution (ARC)			
Annual Normal Cost Beginning of Year	\$ -	\$ -	\$ -
Amortization of UAAL Beginning of Year	106,171	110,943	110,943
Interest to End of Year *	4,247	4,160	4,160
Annual Required Contribution at End of Year	\$ 110,418	\$ 115,103	\$ 115,103
Interest on Net Pension Obligation	\$ (327)	\$ 826	\$ 3,768
Adjustment to ARC	(620)	1,712	8,160
Annual Pension Cost	\$ 110,711	\$ 114,217	\$ 110,711
Employer Contributions **	80,511	35,757	88,944
Change in Net Pension Obligation	30,200	78,460	21,767
Net Pension Obligation at Beginning of Year	\$ (8,167)	\$ 22,033	\$ 100,493
Net Pension Obligation at End of Year	\$ 22,033	\$ 100,493	\$ 122,260

\* The interest rate assumed each year was 4.0% in 2012, 3.75% in 2013 and 3.75% in 2014.

\*\* 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.

Table 5f-q

GASB Statement No. 27  
Annual Development of Pension Cost

Fiscal Year Ending	ARC at End of Year	Interest on Net Pension Obligation	ARC Adjustment	Annual Pension Cost	Total Employer Contributions	Change in Net Pension Obligation	Net Pension Obligation Balance	(Gain)/Loss	Amort. Factor *	Amort. of (Gain)/Loss	Ending Balance
December 31, 2009	\$ 118,219	\$ (8,883)	\$ (15,222)	\$ 124,558	\$ 36,052	\$ 88,506	\$ (133,581)	\$ 82,167	14.5903	\$ (15,222)	\$ (133,581)
December 31, 2010	118,219	(5,343)	(9,451)	122,327	45,521	76,806	(56,775)	72,698	14.1339	(9,451)	(56,775)
December 31, 2011	110,418	(2,271)	(4,157)	112,304	63,696	48,608	(8,167)	46,722	13.6593	(4,157)	(8,167)
December 31, 2012	110,418	(327)	(620)	110,711	80,511	30,200	22,033	29,907	13.1657	(620)	22,033
December 31, 2013	115,103	826	1,712	114,217	35,757	78,460	100,493	79,346	12.8702	1,712	100,493
December 31, 2014	115,103	3,768	8,160	110,711	88,944	21,767	122,260	26,159	12.3153	8,160	122,260

\* Based on a 30-year closed amortization as of January 1, 2000.

Table 5f-r

GASB Statement No. 27  
Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions as a % of APC	Net Pension Obligation
December 31, 2012	\$ 110,711	73%	\$ 22,033
December 31, 2013	114,217	31%	100,493
December 31, 2014	110,711	80%	122,260

Table 5f-s

## G. *Postemployment benefits other than pensions*

### Plan Description

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

### Funding Policy

The City contributes 100 percent of the cost of the LEOFF I Retiree Healthcare Plan. For fiscal year 2014, the City contributed \$934,741 to the plan. Plan members do not contribute to the plan. Plan costs are paid through the General Fund. As of December 31, 2014, the General Fund reported an assigned fund balance of \$88,332 to be used for future costs of the plan. A policy was adopted with the 2011 Budget to increase this assignment annually until sufficient amounts have been accumulated to fully fund the City’s outstanding liability.

### Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City contracts with an outside vendor, Healthcare Actuaries, to calculate the ARC and related information.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the LEOFF I Retiree Healthcare Plan:

Annual required contribution (ARC)	\$	1,831,950
Interest on net OPEB obligation		5,745
Adjustment to annual required contribution (ARC)		(198,913)
Annual OPEB cost (AOC) (expense)		1,638,782
Contributions made		(934,741)
Increase in net OPEB obligation (NOO)		704,041
Net OPEB obligation (NOO) - beginning of year		4,505,750
Net OPEB obligation (NOO) - end of year	\$	5,209,791

Table 5g-a

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the previous two years are as follows:

GASB Statement No. 45 Three-Year Trend Information			
Fiscal Year Ending	Annual OPEB Cost (AOC)	Contributions as a % of AOC	Net OPEB Obligation (NOO)
December 31, 2012	\$ 1,675,894	52.30%	\$ 3,820,063
December 31, 2013	1,592,729	56.95%	4,505,750
December 31, 2014	1,638,782	57.04%	5,209,791

Table 5g-b

#### Funded Status and Funding Progress

As of December 31, 2014, the actuarial accrued liability for benefits was \$40,113,269, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$0 as there are no active members in the plan.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following actuarial methods and assumptions were used:

*Actuarial cost method.* The December 31, 2014 valuation used the projected unit credit actuarial cost method.

*Investment rate of return.* The actuarial assumptions included a 0.1041% investment rate of return (net of administrative expenses).

*Healthcare costs and trends.* The actuarial assumptions included an initial annual healthcare cost trend rate of 8.0% for medical/miscellaneous expenses to an ultimate rate of 4.2% after 70 years. The dental trend assumption is 4.0%. The Medicare premium trend rate is 6.0% for all years, except for the first year, which has a 0% trend rate. The long-term care trend rate is 5.0% for all years. The trend for the Excise Tax threshold is 0% until 2018, when a trend rate of 3.24% is used.

*Inflation rate.* All trend rates include a 3.0% inflation assumption.

*Amortization.* The UAAL at transition is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2014 was 23 years. The UAAL (above the UAAL at transition) is recalculated each year and amortized as a level dollar amount on an open basis over 23 years.

## REQUIRED SUPPLEMENTARY INFORMATION

### Postemployment Benefits Other Than Pensions

#### City of Puyallup

#### Postemployment Benefits Other Than Pensions

#### Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Projected Unit Credit	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2008	\$ -	\$ 12,786,950	\$ 12,786,950	0%	\$ -	N/A
December 31, 2009	-	11,587,319	11,587,319	0%	-	N/A
December 31, 2010	-	43,659,137	43,659,137	0%	-	N/A
December 31, 2011	-	44,118,620	44,118,620	0%	-	N/A
December 31, 2012	-	42,594,172	42,594,172	0%	-	N/A
December 31, 2013	-	41,496,990	41,496,990	0%	-	N/A
December 31, 2014	-	40,113,269	40,113,269	0%	-	N/A

#### City of Puyallup

#### Postemployment Benefits Other Than Pensions

#### Notes to the Required Supplementary Information

VALUATION DATE: December 31, 2014

The City contracts with an outside vendor, Healthcare Actuaries, to calculate the annual required contribution (ARC) and related information. The following actuarial methods and assumptions were used:

*Actuarial cost method* - The December 31, 2014 valuation used the projected unit credit actuarial cost method.

*Investment rate of return* - The actuarial assumptions included a 0.1041% investment rate of return (net of administrative expenses).

*Healthcare costs and trends* - The actuarial assumptions included an initial annual healthcare cost trend rate of 8.0% for medical/miscellaneous expenses to an ultimate rate of 4.2% after 70 years. The dental trend assumption is 4.0%. The Medicare premium trend rate is 6.0% for all years, except for the first year, which has a 0% trend rate. The long-term care trend rate is 5.0% for all years. The trend for the Excise Tax threshold is 0% until 2018, when a trend rate of 3.24% is used.

*Inflation rate* - All trend rates include a 3.0% inflation assumption.

*Amortization* - The UAAL at transition is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2014 was 23 years. The UAAL (above the UAAL at transition) is recalculated each year and amortized as a level dollar amount on an open basis over 23 years.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Firemen's Pension Plan**

**City of Puyallup**

**Firemen's Pension Plan**

**Schedule of Employer Contributions**

Last 10 Fiscal Years

Fiscal Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2005	\$ 17,862	\$ 43,368	\$ (25,506)	\$ -	N/A
2006	17,862	67,363	(49,501)	-	N/A
2007	2,094	55,287	(53,193)	-	N/A
2008	2,094	41,268	(39,174)	-	N/A
2009	118,219	36,052	82,167	-	N/A
2010	118,219	45,521	72,698	-	N/A
2011	110,418	63,696	46,722	-	N/A
2012	110,418	80,511	29,907	-	N/A
2013	115,103	35,757	79,346	-	N/A
2014	115,103	88,944	26,159	-	N/A

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

**City of Puyallup**

**Firemen's Pension Plan**

**GASB Statements No. 25 and No. 27**

**Schedule of 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
January 1, 1998	\$ 1,243	\$ 2,530	\$ 1,287	49%	\$ 87	1479%
January 1, 1999	1,420	1,844	424	77%	75	565%
January 1, 2001	1,605	1,656	51	97%	79	65%
January 1, 2003	1,209	1,434	225	84%	-	N/A
January 1, 2005	1,131	1,359	228	83%	-	N/A
January 1, 2007	1,209	1,237	28	98%	-	N/A
January 1, 2009	1,341	3,000	1,659	45%	-	N/A
January 1, 2011	1,242	2,692	1,450	46%	-	N/A
January 1, 2013	1,171	2,599	1,428	45%	-	N/A
January 1, 2015	1,078	2,583	1,505	42%	-	N/A

**City of Puyallup**

**Firemen's Pension Plan**

**Notes to the Required Supplementary Information**

VALUATION DATE	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	30-year, closed as of January 1, 2000
Remaining Amortization Period	15 years
Asset Valuation Method	Fair market value
Actuarial Assumptions:	
Inflation	2.25%
Salary Increases	3.25%, including inflation
Investment Rate of Return	3.50%, net of investment expense
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members)

## Schedule 24

## CITY OF PUYALLUP

Page 1 of 2

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ending December 31, 2014

GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL PROGRAM NAME	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	EXPENDITURES			NOTE REFERENCE
				PASS-THROUGH AWARDS	DIRECT AWARDS	TOTAL	
<b>U.S. DEPT. OF AGRICULTURE:</b>							
WA State Department of Natural Resources 2014 Arbor Day Event	Cooperative Forestry Assistance	10.664	N/A	\$ 132	\$ -	\$ 132	
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>				<b>132</b>	<b>-</b>	<b>132</b>	
<b>U.S. DEPT. OF HOMELAND SECURITY:</b>							
WA State Military Department, Emergency Management Division Presidential Disaster Declaration #FEMA-4056-DR-WA/Jan 2012 Storm	Disaster Grants - Public Assistance	97.036	D12-099	8,219	-	8,219	3
WA State Military Department, Emergency Management Division Emergency Management Assistance, EMPG Grant	Emergency Management Performance Grants	97.042	E14-103/E15-182	41,405	-	41,405	
<b>TOTAL U.S. DEPT. OF HOMELAND SECURITY</b>				<b>49,624</b>	<b>-</b>	<b>49,624</b>	
<b>U.S. DEPT. OF JUSTICE:</b>							
Bulletproof Vest Program	Bulletproof Vest	16.607	N/A	-	2,701	2,701	
Byrne Formula Grant Program - DEA	Edward Byrne	16.738	N/A	-	16,211	16,211	
Local Solicitation - Critical Incident Training	Memorial	16.738	2013-DJ-BX-0370	-	12,810	12,810	
WA State Department of Commerce, Pierce County Sheriff's Department Byrne Grant - TNET	Justice Assistance	16.738	M13-31440-013/M14-31440-013	17,486	-	17,486	
Total CFDA Number 16.738				17,486	29,021	46,507	
<b>TOTAL U.S. DEPT. OF JUSTICE</b>				<b>17,486</b>	<b>31,722</b>	<b>49,208</b>	
<b>U.S. DEPT. OF TRANSPORTATION:</b>							
National Highway Traffic Safety Administration Washington Traffic Safety Commission Party Intervention Patrol Grant	Fostering Leadership Grant	20.000	DTN22-09-00263	23,000	-	23,000	
WA State Dept. of Transportation SR 161/Meridian Safety Improvements	Highway Planning and Construction	20.205	LA-7842	32,744	-	32,744	3
7th Ave SW & Citywide Safety Improvements		20.205	LA-7902	809,572	-	809,572	3
Milwaukee Bridge Replacement		20.205	LA-8110	565,889	-	565,889	3
39th Ave SE Overlay; 10th St SE to Shaw Rd.		20.205	LA-8364	687,929	-	687,929	
Puyallup Non-Motorized Transportation Plan		20.205	LA-8460	13,561	-	13,561	
Total CFDA Number 20.205				2,109,695	-	2,109,695	
Washington Traffic Safety Commission Distracted or Impaired Driving	State and Community Highway Safety	20.600	N/A	953	-	953	
Washington Traffic Safety Commission Child Passenger Safety Program	Child Safety and Booster Seats Incentive Grants	20.613	N/A	1,959	-	1,959	
Washington Traffic Safety Commission Law Enforcement Liaison	National Priority Safety Programs	20.616	N/A	4,043	-	4,043	
Target Zero Teams		20.616	N/A	20,682	-	20,682	
DUI Patrol Emphasis		20.616	N/A	7,081	-	7,081	
Seatbelt Emphasis		20.616	N/A	2,381	-	2,381	
Total CFDA Number 20.616				34,187	-	34,187	
<b>TOTAL U.S. DEPT. OF TRANSPORTATION</b>				<b>2,169,794</b>	<b>-</b>	<b>2,169,794</b>	
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>							
EPA Watershed Protection and Restoration Grant WA State Department of Ecology Local Source Control Grant	Puget Sound Action Agenda: Technical Invest. and Implementation	66.123	C1200187	63,382	-	63,382	
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				<b>63,382</b>	<b>-</b>	<b>63,382</b>	
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>\$ 2,300,418</b>	<b>\$ 31,722</b>	<b>\$ 2,332,140</b>	

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



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**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2014**

**NOTE 1 BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the City of Puyallup and is presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

**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 of Puyallup's portion, are more than shown.

**NOTE 3 PRIOR PERIOD EXPENDITURES**

A portion of the amount reported referencing this note was expended in prior years, but was not reported on the Schedules of Expenditures of Federal Awards for prior years. To ensure continuity and completeness of the schedule, it is included in the 2014 Schedule of Expenditures of Federal Awards.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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