



**Washington State Auditor's Office**

Government that works for citizens

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

## **City of Olympia**

**Thurston County**

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

**Published July 7, 2016**

**Report No. 1017014**





## Washington State Auditor's Office

July 7, 2016

Mayor and City Council  
City of Olympia  
Olympia, Washington

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Olympia  
Thurston County  
January 1, 2015 through December 31, 2015**

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

The results of our audit of the City of Olympia are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

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

### **Identification of Major Federal Programs:**

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

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

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

The City qualified as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

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

**City of Olympia  
Thurston County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Olympia  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Olympia, Thurston County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2016. As discussed in Note 19 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

**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.

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 27, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Olympia  
Thurston County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Olympia  
Olympia, Washington

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

We have audited the compliance of the City of Olympia, Thurston County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 27, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Olympia Thurston County January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Olympia  
Olympia, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Olympia, Thurston County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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

## **Opinion**

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

## **Matters of Emphasis**

As discussed in Note 19 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 28, budgetary comparison information on page 81, pension plan information on pages 82 through 85 and information on postemployment benefits other than pensions on page 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 27, 2016

## **FINANCIAL SECTION**

**City of Olympia  
Thurston County  
January 1, 2015 through December 31, 2015**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net  
Position – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Trust and Agency Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

### **REQUIRED SUPPLEMENTARY INFORMATION**

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

Multiple Employer Plan – 2015

Firemen's Pension Plan – 2015

Law Enforcement and Fire Fighters Retirement System (LEOFF), Postemployment  
Benefits Other Than Pensions – 2015



## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

## Management's Discussion and Analysis

This management discussion and analysis (MD&A) is an overview of the financial activity of the City of Olympia for the year ended December 31, 2015. The MD&A is included in the scope of the financial audit by the State of Washington, State Auditor's Office. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the letter of transmittal, which is not included in the scope of the audit, and can be found at the beginning of this document.

### Using this Report

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

### Financial Highlights

- The assets and deferred outflows of the City of Olympia's exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$325.3 million (net position). Of this amount, \$30 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City of Olympia's governmental funds reported a combined fund balance of \$37.7 million, a \$2 million increase in comparison with the prior year. Approximately 21% of this amount (\$7.9 million) is available for spending at the government's discretion (unassigned fund balance). Approximately 36% of this amount (\$13.6 million) would require the council action to re-allocate the resources (assigned and committed fund balance). The remaining 43% (\$16.2 million) is not available for discretionary spending (nonspendable and restricted fund balance).
- In 2015 the City implemented the Governmental Accounting Standards Board Statement (GASB) Number 68, Accounting and Financial Reporting for Pensions. This implementation resulted in a prior period expense on the face of the financial statements for 2015, as well as pension related assets, deferred outflows, liabilities, deferred inflows, and expense entries for the reporting year. For management discussion and analysis the City has restated 2014 in the comparative statements to reflect the prior year entries. For further information related to the GASB Statement 68 implementation, please see the Notes to the Financial Statements Note 7 and 19, as well as the Required Supplementary Information section.
- In 2015 the City compared the Thurston County Assessor files of land owned by the City to the fixed asset records. This review resulted in the addition of land parcels donated to, platted to, or purchased by the City between 1996 and 2013 to the fixed asset record. Land assets of the Governmental Activities increased by \$0.5 million and of the Business-Type Activities increased by \$0.8 million. For management discussion and analysis the City has restated 2014 in the comparative statements to reflect the increase in the land assets. For further information please see the Notes to the Financial Statements Note 6 and Note 19.

### Overview of the Financial Statements

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

### Government-Wide Financial Statements

Government-wide statements provide information on the financial status and activities of the City as a whole and are presented on an accrual basis of accounting, similar to private business accounting. The statements are presented for Governmental and Business-Type activities. Governmental activities include all operations of the City, except for the Business-Type activities which includes the operations of its utilities. Excluded from the government-wide statements are the Fiduciary Funds (Trust and Agency funds). Fiduciary Funds of the City include the Firemen's Pension Fund, LEOFF 1 OPEB Trust Fund, Washington Center Endowment Fund, Municipal Court Trust, and Law Enforcement Records Management Fund.

Government-wide statements are presented in two groups:

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

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

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

### Statement of Net Position

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

### Statement of Activities

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

## **Fund Financial Statements**

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

### Governmental Funds

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

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

### Proprietary Funds

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

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

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties other than the City. Fiduciary funds are not reported in the government-wide financial statement because the resources of these funds are not available to support the City's own programs. The City maintains three different types of Fiduciary funds; Pension Trust Fund , OPEB Trust Fund, Private-purpose Trust Fund, and Agency Funds. The Pension trust fund is used to report resources held in trust for retired firefighters hired prior to March 1970 and their beneficiaries covered by the Firemens' Pension Plan. The OPEB Trust Fund is used to report the resources held in trust for LEOFF 1 retirees other post employment benefits. The Private-purpose trust fund is used to report resources held in trust for the Washington Center for Performing Arts. The Agency fund reports resources held by the City in a custodial capacity for the Municipal Court and Law Enforcement Records Management System.

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

## **Notes to the Financial Statements**

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

## **Other Information**

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

## Government-wide Overall Financial Analysis

### Statement of Net Position.

As discussed earlier, net position over time may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$325.3 million as of December 31, 2015. The following statement provides information on all assets and liabilities of the City.

Summary of Statement of Net Position (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 Restated*	2015	2014 Restated*	2015	2014 Restated*
Current Assets	\$ 61.4	\$ 56.1	\$ 27.7	\$ 24.5	\$ 89.1	\$ 80.6
Other Assets	15.6	18.4*	1.3	1.3	16.9	19.7
Capital Assets	248.7	252.2	124.7	125.2	373.4	377.4
Total Assets	325.7	326.7	153.7	151.0	479.4	477.7
Deferred Outflows of Resources	3.2	1.3	0.7	0.3	3.9	1.6
Total Deferred Inflows of resources	3.2	1.3*	0.7	0.3	3.9	1.6
Current Liabilities	12.9	11.3	6.0	4.1	18.9	15.4
Unearned Revenue	7.6	8.5	0.0	0.0	7.6	8.5
Non-Current Liabilities	90.9	88.6	35.3	34.6	126.2	123.2
Total Liabilities	111.4	108.4	41.3	38.7	152.7	147.1
Deferred Inflows of Resources	4.6	10.1	0.8	1.8	5.4	11.9
Total Deferred Inflows of resources	4.6	10.1	0.8	1.8	5.4	11.9
Net Position						
Net Investment in Capital Assets	182.9	182.8	93.3	93.5	276.2	276.3
Restricted	17.9	14.9	1.3	1.3	19.2	16.2
Unrestricted	12.2	11.8	17.7	16.0	29.9	27.8
Total Net Position	\$ 213.0	\$ 209.5	\$ 112.3	\$ 110.8	\$ 325.3	\$ 320.3

\* 2014 Net Position was restated due to the 2015 GASB 68 Pension Implementation and 2015 Prior Period adjustment related to acquisition of land from prior years. The total value of land was added to the "Net Investment in Capital Assets" as of 2014. (See notes 6, 7, and 19 for further information)

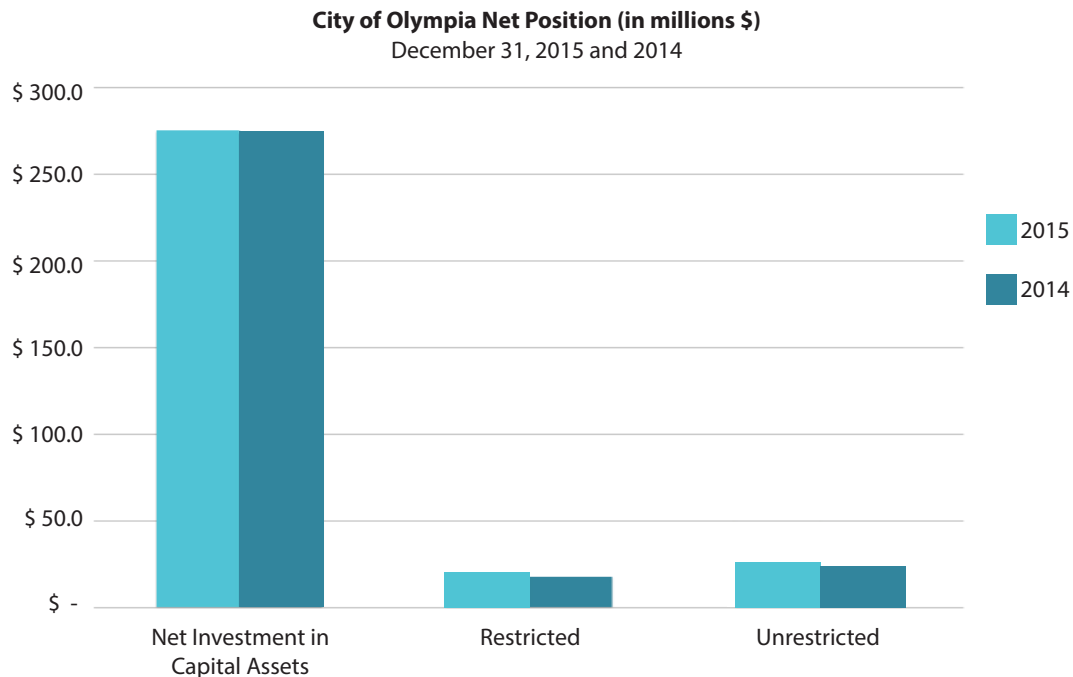
The largest portion of the City's net position is its net investment of capital assets. This category makes up 84.9% for the City's total net position, and though the city uses these capital assets to provide services to its citizens, these assets are not available for future spending.

The smallest category of net position, making up 5.9% of net position, is the restricted net position and it represents the resources that are subject to external restrictions on how they may be used. These restrictions include debt covenants, law (enabling legislation), grant requirements, or some other reason which imposes a limit on the use of the assets which is outside the control of the City.

The remaining balance of \$29.9 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. Although this amount is unrestricted, a significant portion has been reserved or set aside for various purposes. Shown in the following chart are the funds and categories of net position.

Allocation of Net Position (in million \$)			
	Investment in Capital Assets	Restricted	Unrestricted
General Fund	\$177.0	\$0.4	\$3.9
Special Revenue Funds			
HUD/Community Development Block Grants	-	0.1	-
Impact Fees & Mitigation Fees	-	10.1	-
Lodging Tax & Utility Tax	-	2.2	-
Parking and Transportation	-	3.0	-
Culture and Entertainment	-	0.3	-
Debt Service	-	0.1	-
Capital Projects			
General Capital Improvements	-	-	4.4
Internal Services			
Equipment Rental	5.9	-	3.5
Risk Management	-	-	0.2
Unemployment, Workers' Compensation	-	1.7	0.2
Total Governmental Activities	182.9	17.9	12.2
Utility Operations			
Drinking Water and Wastewater	70.3	1.3	13.4
Waste Resources	0.1	-	0.8
Storm and Surface Water	22.9	-	3.6
Total Utility Operations	93.3	1.3	17.8

At the end of 2015 and 2014 the City reported a positive balance in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. Overall net position of the City increased \$5.0 million from the prior fiscal year. The reasons for the increase are discussed in the following sections for governmental activities and business-type activities.



#### Governmental Activities

During the fiscal year, net position for governmental activities increased by \$3.5 million, to a balance of \$213 million. While there wasn't a significant change in the Governmental Activities net position, reductions can be seen in capital assets and deferred inflows of resources, and increases in non-current liabilities and deferred outflows of resources. The \$3.5 million reduction in capital assets is the net result of \$10.8 million in annual depreciation and \$7.3 million addition of capital assets net of completed work in process, donated infrastructure and land. Deferred outflows related to pensions increased by \$1.9 million primarily as a result of the change from 2014 to 2015 in the differences related to expected and actual earnings experience and changes in pension plan assumptions. The \$2.3 million increase in non-current liabilities is the net result of the \$5 million increase in net pension liability of the state pension plans, \$1 million increase in the Firemen's Pension plan, and \$3.6 million decrease from the debt principal payments made in 2015. The \$5.5 million decrease in the deferred inflows related to pensions is primarily the result of the change from 2014 to 2015 in the net difference between the projected and actual investment earnings on pension plan investments. In 2015, the City added \$2 million in contributed capital assets in the form of infrastructure (roadways, sidewalks, street lights, and curbs) and donated land. The City also added \$0.5 million in land assets acquired in prior years.

#### Business-Type Activities

During the fiscal year, net position for business-type activities increased by \$1.5 million, to a balance of \$112.3. While there wasn't a significant change in the Business-Type Activities net position, increases are seen in current assets, deferred outflows of resources, and total liabilities, and a decrease in the deferred inflows of resources. The \$2.7 million increase in current assets is primarily due to the increase of \$1.9 million in current liabilities, a result of the accrual of accounts payable invoices at year end. The primary change in net position is related to the \$0.4 million of deferred outflows of resources related to the change from 2014 to 2015 in the differences related to expected and actual earnings experience and changes in pension plan assumptions, and the \$1 million decrease of deferred inflows of resources related to the change from 2014 to 2015 in the net difference between projected and actual investment earnings on pension plan investments. In 2015 the City added \$2.4 million contributed capital assets in the form of infrastructure (water, sewer, and stormwater pipelines). The City also added \$0.8 million in land assets acquired in prior years.

## Statement of Activities

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

Statement of Changes in Net Position (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 Restated*	2015	2014 Restated*	2015	2014 Restated*
<b>Revenues</b>						
Program Revenues						
Charges for Service	\$24.3	\$24.3	\$46.8	\$44.8	\$71.1	\$69.1
Operating Grants and Contributions	4.6	4.2	0.2	0.2	4.8	4.4
Capital Grants and Contributions	3.3	3.9	2.4	1.5	5.7	5.4
General Revenues:		-		-		
Property Taxes	14.0	13.3	-	-	14.0	13.3
Utility and B&O Taxes	19.6	18.1	-	-	19.6	18.1
Sales and Other Taxes	23.5	20.8	-	-	23.5	20.8
Other General Revenues	1.5	1.0	0.3	0.5	1.8	1.5
<b>Total Revenues</b>	<b>90.8</b>	<b>85.6</b>	<b>49.7</b>	<b>47.0</b>	<b>140.5</b>	<b>132.6</b>
<b>Program Expenses</b>						
General Government	27.4	36.1	-	-	27.4	36.1
Public Safety	31.2	28.6	-	-	31.2	28.6
Transportation	15.0	17.6	-	-	15.0	17.6
Economic Environment	4.1	5.4	-	-	4.1	5.4
Mental and Physical Health	0.1	0.1	-	-	0.1	0.1
Culture & Recreation	6.7	7.9	-	-	6.7	7.9
Interest on Government Debt	3.4	3.6	-	-	3.4	3.6
Drinking Water and Wastewater	-	-	31.3	32.5	31.3	32.5
Waste Resources	-	-	9.9	11.1	9.9	11.1
Storm and Surface Water	-	-	6.4	6.5	6.4	6.5
<b>Total Expenses</b>	<b>87.9</b>	<b>99.3</b>	<b>47.6</b>	<b>50.1</b>	<b>135.5</b>	<b>149.4</b>
Excess(deficiency) before transfers	2.9	(13.7)	2.1	(3.1)	5.0	(16.8)
Transfers (net)	0.6	0.4	(0.6)	(0.4)	-	-
Increase(decrease) in Net Position	3.5	(13.3)	1.5	(3.5)	5.0	(16.8)
<b>Net Position - beginning</b>	<b>209.0</b>	<b>222.3</b>	<b>110.0</b>	<b>113.5</b>	<b>319.0</b>	<b>335.8</b>
Prior Period Adjustment - Land Assets	0.5		0.8		1.3	
<b>Net Position - ending</b>	<b>\$213.0</b>	<b>\$209.0</b>	<b>\$112.3</b>	<b>\$110.0</b>	<b>\$325.3</b>	<b>\$319.0</b>

\* 2014 Changes in Net Position was restated due to the 2015 GASB 68 Pension Implementation. The Changes in Net Position, \$468,897 Governmental activities and \$789,352 Business activities was not restated in 2014 because the 2015 Prior Period adjustment related to acquisition of land from prior years due to acquisition occurring between 1996 and 2013, which would have effected the changes of those years. (See notes 6, 7, and 19 for further information)

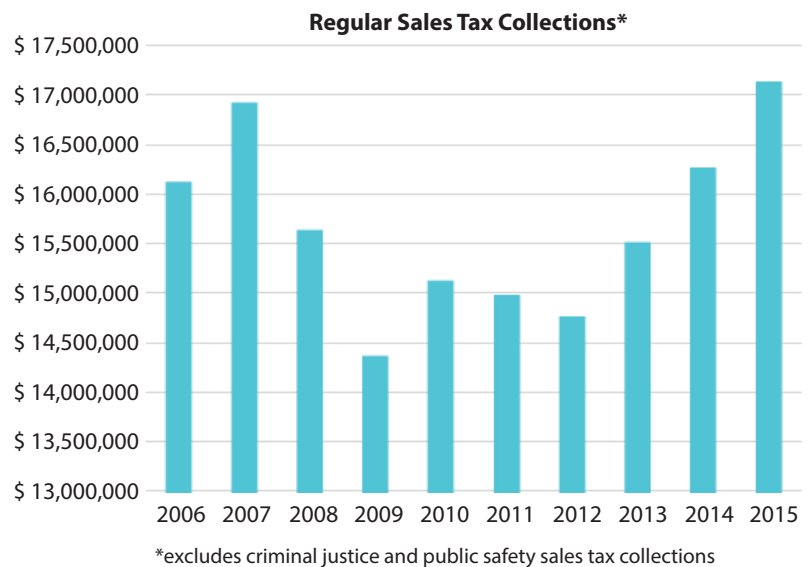
## Governmental Activities

General Revenues are one source of revenues that supports the government; however various programs will charge for their services. Taxes are the main source of revenue that supports governmental activities. The three major tax sources are property tax, sales tax, and gross receipt taxes. Property tax is a fairly stable source for the City amounting to approximately 23.89% of total general revenues generated by governmental activities. While stable in nature, voter initiatives have limited the growth in property tax to 1% before new construction and annexations, although a higher increase may be authorized by voters. The assessed valuation for 2015 collections after additions for new construction was up from 2014 by 6.7%, the second consecutive year of increase in assessed values since 2009. The average additional property tax from new construction for the last 5 years has been approximately \$147,129. Tax assessments on new construction for 2015 were \$133,845

The largest source of tax revenue is sales tax. Sales and Gross receipt taxes make up approximately 73.57% of the total general revenues received by the City. Sales tax collections in 2015 were \$2.7 million higher than 2014 collections, bringing in \$23.5 million. During the 2012 and 2013 budget process, the City recognized that new sources of revenue were needed. In November 2012, the City put a vote to the people for an increase of sales tax of one-tenth of one percent, for the purpose of the public safety function of the City. The voters approved the local sales tax increase, and the City began to receive the revenues related to this increase starting mid-year 2013.

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

Program Expenses for 2014 were restated to represent the GASB 68 pension prior period expenses. The pension standard increased 2014 governmental program expenses by \$15.1 million excluding contributions made to the pension plans. Current year expenses related to pension, including changes to pension liabilities, assets, deferred outflows and inflows of resources, and contributions to the plan was approximately \$1.7 million. Other than the pension related expense, increase in governmental expenses were minimal at \$1.9 million as a result of the City's efforts to maintain current service level and add programs and services only as revenue streams allow.



### Business-Type Activities

Charges for services are the main source of revenue for the business-type activities of the City, as required by state law. Charges for service revenues were up \$2 million, primarily due to rate increases. The 2015 rate increases were as follows: Drinking Water rates increased to provide an overall revenue increase of 6%, Wastewater LOTT sewage treatment rates increased 3%, Wastewater collection system revenue increase of 2%, Stormwater revenue increase of 3%, and Solid Waste rates increased by 6% for residential, 4% for commercial, and 8% for organic collections. The City of Olympia Utility Advisory Committee reviews rates and increases and makes recommendations to the City Council. Utility rates are designed to smooth out rate impacts over several years, and take into account long-term planning of the utilities to ensure that the City can meet the needs of users today and in the future.

Program Expenses of the business-type activities for 2014 were restated to represent the GASB 68 pension prior period expenses. The pension standard increased 2014 business-type program expenses by \$5.7 million excluding contributions made to the pension plans. Current year expenses related to pension, including changes to pension liabilities, assets, deferred outflows and inflows of resources, and contributions to the plan were approximately \$0.5 million. Other than the pension related expense, business-type expenses increased approximately 6% over the prior year equaling \$2.7 million as a result of increased employee benefits, taxes on utilities, and maintenance on the infrastructure of the utilities.

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

### Financial Analysis of Governmental Funds

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

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



## Governmental Funds

At December 31, 2015, the City of Olympia's governmental funds reported a combined fund balance of \$37.7 million, an increase of \$2 million in comparison with 2014. Approximately 21% of this amount, \$7.9 million, is unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that the resources are 1) not in a spendable form or legally required to be maintained intact, 2) restricted by external sources for particular purposes, 3) committed for particular purposes, or 4) assigned for particular purposes. The chart below shows the allocation of fund balance for governmental funds, for the years ended December 31, 2015 and 2014. For more detailed information about fund balance, see the Fund Balance Details section of Note 1.E.

Statement of Governmental Fund Balance (in million \$)			
	2015	2014	Difference
<b>General Fund</b>			
Nonspendable	\$0.1	\$0.1	\$-
Restricted	0.3	0.3	-
Committed	5.4	3.8	1.6
Assigned	3.8	6.4	(2.6)
Unassigned	7.9	6.6	1.3
Total General Fund	\$17.5	\$17.2	\$0.3
<b>All Other Governmental Funds</b>			
Restricted	\$15.8	\$13.2	\$2.6
Committed	0.3	1.1	(0.8)
Assigned	4.1	4.2	(0.1)
Total All Other Governmental Funds	\$20.2	\$18.5	\$1.7
Total Governmental Fund Balance	\$37.7	\$35.7	\$2.0

The recession had an impact on the City; however the City took various actions to mitigate negative effects on fund balances. These actions included a reduction of staff, delaying certain special funding, building maintenance, overall expense reductions, increasing various rates and fees to support their programs, and looking to the future to try and control the increasing costs of health care and pension benefits. The City implemented new budget procedures in 2013 to reform our way of doing business in an effort to maintain services for the future. These efforts have resulted in a steady increase of fund balance each year, and in 2015 an increase of \$0.3 million for the General Fund.

The General Fund is the main operating fund of the City of Olympia. The General Fund holds 100% of the unassigned fund balance. As a measure of the General Fund, it is useful to compare the unassigned fund balance and total fund balance to General Fund expenditures. In 2015 General Fund expenditures were \$71.5 million. Unassigned fund balance represents 11% of General Fund expenditures, while total General Fund balance represents approximately 24.5% of that same amount.

General Fund revenues increased by \$3.8 million in 2015, \$2.6 million were due to the growth in property tax and sales tax revenues, as discussed earlier. General Fund expenditures increased by \$2.6 million, representing increased expense related to employee benefits and growth in programs and services.

All other governmental funds include special revenue funds, debt service funds, and capital project funds. Their combined fund balance increased in 2015 by \$1.7 million. The majority of this increase can be found in restricted fund balance, a result of collections of restricted impact fee revenue. Impact fees are collected for parks and transportation impacts and spent after the use of the funds are approved. 2015 impact fee collections exceeded spending by \$1.5 million. The remaining major governmental funds, the HUD Fund, Lodging Tax Fund, and Capital Improvement Fund did not experience significant changes in fund balance from 2014 to 2015.



## Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail by disclosing information related to the individual utilities. Information regarding the individual internal service funds can be found in the combining statements section of this report. The following chart shows the allocation of net position for the proprietary funds, for the years ended December 31, 2015 and 2014.

Statement of Proprietary Fund Net Position (in million \$)								
	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds	
	Drinking Water / Wastewater Utility	2014 Restated*	Waste Resources Utility	2014 Restated*	Storm and Surface Water Utility	2014 Restated*	2015	2014 Restated*
NET POSITION	2015		2015		2015			
Net Investment In Capital Assets	\$70.3	\$70.0	\$0.1	\$0.1	\$22.9	\$23.5	\$5.9	\$6.3
Restricted For:								
Bond Reserve Fund	1.3	1.3	-	-	-	-	-	-
Workers Comp Reserve	-	-	-	-	-	-	1.8	1.4
Unrestricted (Deficit)	13.4	11.2	0.8	0.5	3.6	4.2	4.0	3.0
Total Net Position	\$85.0	\$82.5	\$0.9	\$0.6	\$26.5	\$27.7	\$11.7	\$10.7

As mentioned early the GASB 68 Pension implementation resulted in the restatement of the 2014 financial information reported in this report. The result of this restatement was a decrease in the 2014 unrestricted net position of the Drinking Water/Wastewater Utility, Waste Resources Utility, and Storm and Surface Water Utility by \$3 million, \$1.6 million, and \$1.1 million respectively. The Drinking Water/Wastewater Utility and Storm and Surface Water Utility 2014 Net Investment in Capital Assets was restated by \$0.6 million and \$0.2 million due to the prior period adjust related to the acquisition of land assets in prior years.

The 2015 total net position of the business type activities (the utility funds) increased by \$1.6 million from the prior year. The utilities continue their efforts to implement their capital plan, which is focused on water storage, planning for future system capacity, and transitioning to a volumetric-based sewer billing. In 2015 the utilities added capital assets worth \$5.7 million, however with \$1.7 million of the funding for the assets being loan proceeds which offsets the increase in the net investment in capital assets and annual depreciation, Net Investment in Capital Assets increased by \$0.3 million. For additional information on the calculation of the net investment in capital assets, please see Note 19, B.

## Capital Assets and Debt Administration

The City of Olympia is committed to investing in the existing infrastructure and capital assets of both the governmental and proprietary funds. As of December 31, 2015, the City's investment in capital assets, including work in progress, for its governmental and business type activities amounts to \$373.4 million (net of accumulated depreciations).

Capital Assets at Year End, Net of Depreciation (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014 Restated*	2015	2014 Restated*	2015	2014 Restated*
Land	47.4	46.8	4.5	4.5	51.9	51.3
Building	78.3	81.2	0.7	0.8	79.0	82.0
Improvements other than buildings	24.7	23.8	113.4	109.5	138.1	133.3
Equipment	8.5	9.1	1.1	1.0	9.6	10.1
Infrastructure	87.5	78.8	-	-	87.5	78.8
Intangible Assets	-	-	3.0	3.5	3.0	3.5
Work in Process	2.3	12.6	2.0	5.9	4.3	18.5
Total	\$248.7	\$252.3	\$124.7	\$125.2	\$373.4	\$377.5

\* 2014 Land value was restated due to the 2015 Prior Period adjustment related to acquisition of land from prior years. The total value of land was added to the "Net Investment in Capital Assets" as of 2014. All other categories for 2014 were restated with a net effect of zero, to correct asset category classifications. (See notes 6 and 19 for further information).

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

- Completion and placement into service of the work in process for demolition of buildings on the Isthmus Parcel \$0.7 million, Percival Landing E & F Floats \$0.9 million, various Parks upgrades \$0.2 million, and various general government asset upgrades \$0.5 million.
- Completion of the following work in process capital assets that increased Infrastructure: the West Bay Drive Sidewalk \$3 million, 18th Avenue and Hoffman Road \$5.4 million, Boulevard Road and 22nd Avenue Roundabout \$3.8 million, and Yelm Highway Phase Five \$0.6 million.
- The City added to work in process two land options \$0.4 million, Fire Truck acquisition deposit \$0.6 million, parks projects \$0.2 million, general government projects \$0.3 million, and various roadway and sidewalk projects \$0.8 million.
- Completion and placement into service of the work in process of the following Wasterwater Utility for the West Bay Pump Station upgrades \$2.3 million, the Black Lake Sewer Main upgrades \$0.6 million, and the Black Lake Lift Statement replacement \$1.4 million.

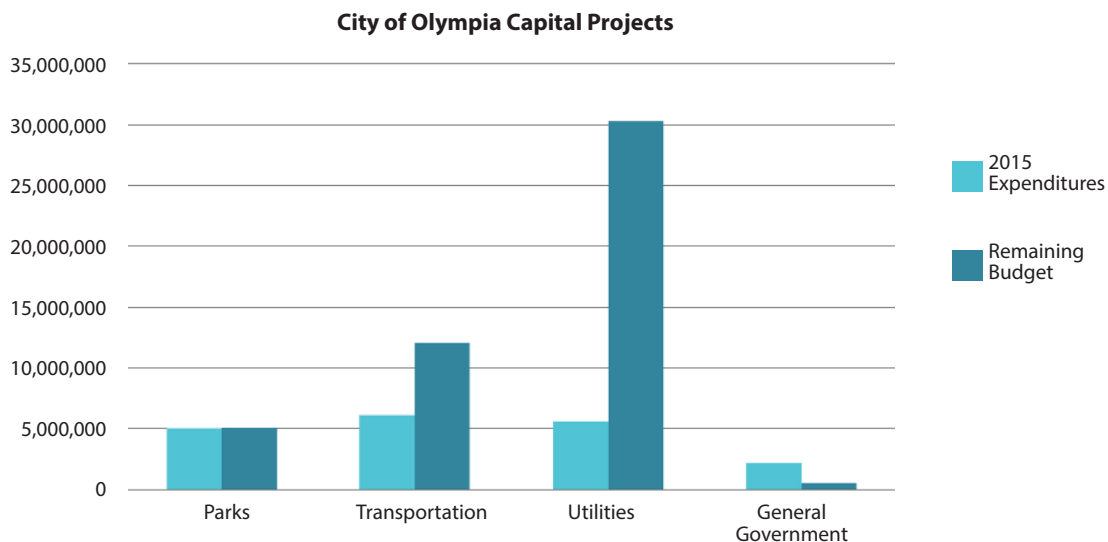
Capital Assets are affected by various additions and deletions, and by depreciation. Additions are from the purchase and/or construction of capital assets, current year work in process expenses, or from donations to the City. Deletions are from the sale or loss (accident or damage) of a capital asset.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

Summary of Capital Asset Additions and Deletions (in million \$)			
	Governmental Activities	Business-Type Activities	Total Primary Government
Beginning Balance (Net)	\$ 252.2	\$ 125.2	\$ 377.4
Additions	7.3	5.6	12.9
Deletions	( 0.8)	( 4.3)	( 5.1)
Depreciation (Net)	( 10.0)	( 1.8)	( 11.8)
Ending Balance (Net)	<u>\$ 248.7</u>	<u>\$ 124.7</u>	<u>\$ 373.4</u>

### Construction Activities

The City continues to place major emphasis on preserving and maintaining the existing buildings, parks, streets, and utility infrastructure. During 2015, the City expended approximately \$19 million from its capital project related funds, and at the end of 2015 had approximately \$48 million in approved projects in progress.

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



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

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

### Long-Term Debt

The City had \$98.5 million of long-term debt outstanding at December 31, 2015, a \$3.6 million decrease in Governmental and \$0.3 million decrease in Business Type Activities when compared to the outstanding amounts at December 31, 2014.

City of Olympia Outstanding Debt (in million \$)							
	Governmental Activities		Business-Type Activities		Total Primary Government		
	2015	2014	2015	2014	2015	2014	
General Obligation Bonds	\$ 63.0	\$ 65.8	\$ -	\$ -	\$ 63.0	\$ 65.8	
Enterprise Revenue Bonds	-	-	17.9	19.3	17.9	19.3	
WA State Trust Fund Loans	2.8	3.4	1.2	1.3	4.0	4.7	
Other Loans	0.7	0.9	12.9	11.7	13.6	12.6	
<b>Total Long-Term Debt</b>	<b>\$ 66.5</b>	<b>\$ 70.1</b>	<b>\$ 32.0</b>	<b>\$ 32.3</b>	<b>\$ 98.5</b>	<b>\$ 102.4</b>	

The City's Business-Type Activities issued new long term debt in 2015, in the form of draws on the Drinking Water State Revolving Fund Loan (DWSRF) for the McAllister Well and SW Olympia Reservoir projects, and a loan from the Washington State Department of Ecology (DOE) for the State Avenue Stormwater Retrofit project. Draws in 2015 amounted to \$1.7 million. The authorized \$10.9 million McAllister DWSRF loan is a low interest loan and at December 31, 2015 the loan was fully drawn. The authorized \$12.0 million Reservoir DWSRF loan is a low interest loan and at December 31, 2015, total draws amounted to \$0.2 million. The authorized \$0.6 million DOE loan is a low interest loan and at December 31, 2015, total draws amounted to \$0.6 million. The overall decrease in long-term debt is a result of \$5.6 million debt principal payments made in 2015.

The latest bond rating for City of Olympia general obligation bonds was Aa3 from Moody's and AA from Standard & Poor's. The City of Olympia insured its bonds issues prior to 2009 and they therefore have the credit rating of the underlying insurance company. The chart below shows the credit ratings of both our bond insured issues and ratings for the uninsured bonds issued after 2009.

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

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

### General Fund Original Budget Compared to Final Budget

During the year the General Fund budget increased by \$13.4 million, including transfers out. Major increases were:

Continuing Appropriations from 2014.....	\$ 6,650,000
Operation increases related to business needs, and personnel costs.....	\$ 4,675,000
Allocated to facilities major repair and maintenance, projects for building, sidewalks and parks .....	\$ 1,520,000
Allocation of reserves to special accounts.....	\$ 599,000

## General Fund Final Budget Compared to Actual Results

The General Fund budget, excluding transfer in and transfer out budgets, varied from actuals as follows: revenue budget of \$66.6 million was \$3 million less than actual while the expenditure budget of \$75.1 million was \$7.5 million under budget. Significant budgetary variances between the final amended budget and actual results were:

Tax Revenue Over Budget.....	\$ 1,400,000
Intergovernmental (shared, grants, interlocal) Revenues Over Budget .....	\$ 710,000
License and Permit Revenue and Other Revenues Over Budget .....	\$ 840,000
Expenditure Budget Continued into 2016.....	\$ 3,900,000
Expenditure Budget Related to Maintenance Continued into 2016.....	\$ 3,000,000

## Look Forward to 2016 and Beyond

The 2016 General Fund regular operations budget of \$67.3 million is comprised of the basic municipal services and had a modest growth of 3.7% from the original 2015 budget. The City was able to balance the General Fund budget with the increase in revenue from the elimination of some exemptions in the Business and Occupation (B&O) tax, increase in sales tax revenue that is in line with pre-recession levels, projected increases in development-related fees due to new commercial activity, changes in health insurance plans offered to employees that helps to contain costs, and by not adding additional programs, while maintaining at least a 10% operating reserve.

Voters, in November 2015, agreed to increase their property taxes for Parks by establishing a Metropolitan Parks District (MPD). The MPD will provide approximately \$3-3.5 million per year for parks purposes only, however the funding will not be received until May of 2017. In 2016 the City will issue a Bond Anticipation Note (BAN) for the acquisition of Parks land. The City will utilize the Voter Approved Utility Tax (VUT) revenue for repayment and refunding of the 2016 BAN. The MPD revenues will assist in the acquisition, development, and maintenance of Parks assets. The MPD is a separate taxing district, and the MPD Board is made up of the whole Council of the City of Olympia.

The City continues to present a budget that is practical, responsible, and strategic in its efforts to maintain core services, address infrastructure replacement and maintenance needs, and mitigate increases in employee and benefit costs. In response to the rising costs of medical premiums, the City introduced new health insurance plans to employees. These plans come with deductibles and increased out-of-pocket co-insurance maximums at a lower premium cost to the City and assist in minimizing the costs of the full implementation of the Affordable Care Act in 2020. The rising cost of the City's required pension plan contributions is a major discussion point in future budgets and planning.

In addition to the rising costs, the City's largest sales tax revenue producing business intends to move its operations out of Olympia. The full impact of the departure of this business is being taken into consideration during budget discussions.

The City's utilities, as required by state law, are fully funded through rates and charges for utility services. In 2016, rate increases were authorized to ensure stable revenues while maintaining existing service levels. Utility rate increases for 2016 will be as follows:

Drinking water's overall rate increase was 7.3%, the individual rate increase varies by customer type and amount of water used. Storm and Surface water's overall rate increase was 6.7%, which will be applied evenly across all rate classes.

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

Waste Resources rates changed as follows: 5.5% increase for residential collections, 4% increase for commercial collections, and 9% increase for organics collections.

The City will continue to invest in capital improvements. The 2016 Capital Improvement Plan (CIP) includes \$6.1 million for parks projects, \$4.6 million for transportation projects, and an investment of \$1.3 million in building repairs and major maintenance. The CIP added \$12.1 million for utility related projects, some of which will be debt financed through the Drinking Water State Revolving Loan program for Reservoir Construction.

## Additional Information

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

**Statement of Net Position**  
**December 31, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash And Cash Equivalents	\$16,024,073	\$6,938,014	\$22,962,087
Investments	31,176,212	13,702,227	44,878,439
Receivables			
Taxes	8,016,726	-	8,016,726
Customer Accounts	3,691,757	6,089,678	9,781,435
Accrued Interest and Penalty	37,883	16,650	54,533
Special Assessments	3,225	-	3,225
Notes/Contract/Loans Receivable	222,177	-	222,177
Other Receivables	280,233	283,245	563,478
Other Governmental Units	1,561,920	502,580	2,064,500
Inventories	191,859	179,346	371,205
Other Current Assets	150,432	1,650	152,082
Total Current Assets	61,356,497	27,713,390	89,069,887
Non-Current Assets:			
Restricted Cash And Cash Equivalents	152,545	1,260,900	1,413,445
Special Assessments	11,767	-	11,767
Notes/Contract/Loans Receivable	7,268,301	-	7,268,301
Investment In Joint Venture	806,777	-	806,777
Net Pension Asset	7,420,760	-	7,420,760
Capital Assets			
Capital Assets Not Being Depreciated	49,753,171	6,491,727	56,244,898
Depreciable Assets, Net	198,977,485	118,257,763	317,235,248
Total Non-Current Assets	264,390,806	126,010,390	390,401,196
Total Assets	325,747,303	153,723,780	479,471,083
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow - Related to Pensions	3,226,893	672,678	3,899,571
Total Deferred Outflows Of Resources	3,226,893	672,678	3,899,571
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	1,894,921	2,047,752	3,942,673
Contracts Retainage Payable	622,627	157,059	779,686
Interest Payable	190,653	187,489	378,142
Due To Other Governmental Units	77,934	26,472	104,406
Custodial Accounts	188,765	1,017	189,782
Wages Payable	2,159,595	369,345	2,528,940
Other Current Liabilities	833,640	248,309	1,081,949
Unearned Revenue	7,573,140	-	7,573,140
Compensated Absences (Current Portion)	3,171,963	829,910	4,001,873
Notes And Bonds Due Within One Year	3,760,393	2,078,387	5,838,780
Total Current Liabilities	20,473,631	5,945,740	26,419,371
Non-Current Liabilities			
Net Pension Obligation	17,660,898	5,415,006	23,075,904
Net OPEB Obligation	8,963,470	-	8,963,470
Compensated Absences	1,565,695	15,517	1,581,212
Notes And Bonds Due In More Than One Year	62,749,297	29,901,032	92,650,329
Total Non-Current Liabilities	90,939,360	35,331,555	126,270,915
Total Liabilities	111,412,991	41,277,295	152,690,286
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow - Grant Revenue	10,000	-	10,000
Deferred Inflow - Related to Pensions	4,556,355	813,106	5,369,461
Total Deferred Inflows Of Resources	4,566,355	813,106	5,379,461
<b>NET POSITION</b>			
Net Investment in Capital Assets	182,889,905	93,301,224	276,191,129
Restricted For:			
Bond/LID Reserve Fund	78,048	1,260,900	1,338,948
Debt Services	58,567	-	58,567
Hands On Children's Museum	222,667	-	222,667
HUD Programs	66,498	-	66,498
Impact Fees	8,495,240	-	8,495,240
Lodging Tax	423,402	-	423,402
Transportation, Parking, And Parks	4,757,512	-	4,757,512
Washington Center	78,229	-	78,229
Workers Comp Reserve	1,746,760	-	1,746,760
Other Purposes	1,935,203	-	1,935,203
Unrestricted	12,242,819	17,743,933	29,986,752
Total Net Position	\$212,994,850	\$112,306,057	\$325,300,907

The accompanying notes are an integral part of this statement.

**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2015**

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$27,310,588	\$17,611,265	\$1,484,194	\$258,800	\$(7,956,329)	\$-	\$(7,956,329)
Public Safety	31,182,898	4,599,430	803,366	-	(25,780,102)	-	(25,780,102)
Transportation	15,003,326	456,749	1,757,539	2,702,205	(10,086,833)	-	(10,086,833)
Economic Environment	4,101,801	572,118	32,852	-	(3,496,831)	-	(3,496,831)
Mental And Physical Health	111,854	-	-	-	(111,854)	-	(111,854)
Culture And Recreation	6,747,259	1,020,538	502,057	309,000	(4,915,664)	-	(4,915,664)
Interest On Long Term Debt	3,431,705	-	-	-	(3,431,705)	-	(3,431,705)
Total Governmental Activities	87,889,431	24,260,100	4,580,008	3,270,005	(55,779,318)	-	(55,779,318)
BUSINESS-TYPE ACTIVITIES							
Water/Sewer	31,318,153	31,823,214	-	1,854,050	-	2,359,111	2,359,111
Solid Waste	9,913,614	10,030,818	17,429	-	-	134,633	134,633
Storm And Surface Water	6,377,980	4,943,074	142,573	534,351	-	(757,982)	(757,982)
Total Business-Type Activities	47,609,747	46,797,106	160,002	2,388,401	-	1,735,762	1,735,762
Total Government	\$135,499,178	\$71,057,206	\$4,740,010	\$5,658,406	\$(55,779,318)	\$1,735,762	\$(54,043,556)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes			
Property Taxes, Levied For General Purposes	\$ 10,557,557	\$ -	\$ 10,557,557
Property Taxes, Levied For Debt Service	3,475,334	-	3,475,334
Utility, Business and Occupation Taxes	19,636,064	-	19,636,064
Sales, Excise and Other Taxes	23,455,500	-	23,455,500
Investment Earnings	70,012	11,528	81,540
Other	1,506,425	305,670	1,812,095
Transfers	553,524	(553,524)	-
Total General Revenues and Transfers	59,254,416	(236,326)	59,018,090
Change In Net Position	3,475,098	1,499,436	4,974,534
Net Position – Beginning	224,156,220	115,673,725	339,829,945
Change in Accounting Principle - GASB 68 Pensions (Note 7 & Note 19)	(15,105,365)	(5,656,456)	(20,761,821)
Prior Period Adjustment - Capital Assets (see Note 6 & Note 19)	468,897	789,352	1,258,249
Net Position – Ending	\$ 212,994,850	\$ 112,306,057	\$325,300,907

The accompanying notes are an integral part of this statement.

**Balance Sheet - Governmental Funds**  
**December 31, 2015**

	General	H.U.D	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
<b>ASSETS</b>								
Cash And Cash Equivalents	\$6,966,816	\$80,900	\$2,968,321	\$159,746	\$595,111	\$1,216,187	\$1,993,678	\$13,980,759
Investments	13,647,189	-	5,586,793	315,586	1,169,299	2,571,107	3,655,944	26,945,918
Receivables								
Taxes	236,654	-	-	-	-	-	-	236,654
Customer Accounts	3,691,757	-	-	-	-	-	-	3,691,757
Accrued Interest & Penalty	16,528	-	6,766	382	1,416	3,114	4,426	32,632
Special Assessments	-	-	-	-	-	-	3,225	3,225
Notes/Contract/Loans Receivable	96,831	125,346	-	-	-	-	-	222,177
Other Receivables	198,399	-	-	-	-	-	79,600	277,999
Other Governmental Units	752,214	-	-	-	-	806,319	-	1,558,533
Prepayments	71,576	-	-	-	-	-	-	71,576
Notes/Contract/Loans Receivable	2,414,072	4,854,229	-	-	-	-	11,767	7,280,068
Total Assets	28,092,036	5,060,475	8,561,880	475,714	1,765,826	4,596,727	5,748,640	54,301,298
<b>LIABILITIES</b>								
Accounts Payable	1,541,366	8,431	-	52,312	-	261,115	5,121	1,868,345
Wages Payable	2,078,536	4,121	-	-	26,279	23,261	1,580	2,133,777
Contracts Retainage Payable	57,574	1,850	-	-	-	211,640	351,563	622,627
Custodial Accounts	188,765	-	-	-	-	-	-	188,765
Other Current Liabilities	378,511	-	66,640	-	-	-	-	445,151
Unearned Revenue	2,578,573	4,979,575	-	-	-	-	14,992	7,573,140
Total Liabilities	6,823,325	4,993,977	66,640	52,312	26,279	496,016	373,256	12,831,805
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue - Court Receivables	3,522,417	-	-	-	-	-	-	3,522,417
Unavailable Revenue - Property Taxes	213,564	-	-	-	-	-	-	213,564
Unavailable Revenue - Grant Revenue	10,000	-	-	-	-	-	-	10,000
Total Deferred Inflows Of Resources	3,745,981	-	-	-	-	-	-	3,745,981
<b>FUND BALANCE</b>								
Nonspendable	74,826	-	-	-	-	-	-	74,826
Restricted	276,613	66,498	8,495,240	423,402	1,739,547	-	5,039,241	16,040,541
Committed	5,361,283	-	-	-	-	-	336,143	5,697,426
Assigned	3,875,850	-	-	-	-	4,100,711	-	7,976,561
Unassigned	7,934,158	-	-	-	-	-	-	7,934,158
Total Fund Balance	17,522,730	66,498	8,495,240	423,402	1,739,547	4,100,711	5,375,384	37,723,512
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$28,092,036	\$5,060,475	\$8,561,880	\$475,714	\$1,765,826	\$4,596,727	\$5,748,640	\$54,301,298

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

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2015**

Fund Balances - Total Governmental Funds	\$37,723,512
Capital assets not reported in the governmental funds	242,820,936
Investment in Joint Venture not reported in the governmental funds	806,777
Assets and liabilities of Internal Service funds not reported in governmental funds	11,694,951
Accrued Interest on GO Debt not reported in governmental funds	(190,653)
Fair Market Value Adjustment not reported in the governmental funds	(91,154)
Long term assets not available to pay current period expenditures and therefore are deferred in the governmental funds.	
Non-Exchange transactions not reported in the governmental funds	7,780,071
Deferred Inflows of Resources:	
Local court revenue receivable	3,522,417
Property tax receivable	213,564
Long term debt not reported in governmental funds	
Bonds and Notes	(62,921,722)
Loans and BANS	(745,787)
Public Works Trust Fund Loans	(2,842,181)
Compensated Absences	(4,711,061)
Net Pension Liability and Asset, including deferred items	(11,101,350)
Net OPEB Liability	(8,963,470)
Net Position of Governmental Activities	\$212,994,850

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



**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended December 31, 2015**

	General	H.U.D	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
<b>REVENUES</b>								
Taxes	\$45,373,725	\$-	\$-	\$654,530	\$2,826,203	\$1,693,430	\$6,166,103	\$56,713,991
Licenses and Permits	3,968,148	-	-	-	-	266	-	3,968,414
Intergovernmental Revenues	2,601,029	26,852	-	-	-	1,967,341	1,098,529	5,693,751
Charges for Services	13,792,536	-	2,357,462	-	-	-	838,975	16,988,973
Fines and Forfeits	978,691	-	-	-	-	12,220	-	990,911
Miscellaneous Revenues	2,806,121	456,914	21,524	921	15,479	109,613	134,019	3,544,591
<b>Total Revenues</b>	<b>69,520,250</b>	<b>483,766</b>	<b>2,378,986</b>	<b>655,451</b>	<b>2,841,682</b>	<b>3,782,870</b>	<b>8,237,626</b>	<b>87,900,631</b>
<b>EXPENDITURES</b>								
Current:								
General Government Services	22,138,063	-	-	-	-	1,768,868	198,166	24,105,097
Security of Persons & Property	32,408,827	-	-	-	-	-	-	32,408,827
Transportation	3,898,163	213,888	-	-	-	360,151	-	4,472,202
Economic Environment	3,471,249	223,809	-	222,394	-	183,188	-	4,100,640
Mental and Physical Health	111,854	-	-	-	-	-	-	111,854
Culture and Recreation	5,020,700	-	-	-	731,909	445,571	-	6,198,180
Debt Service:								
Principal Retirement	-	-	-	-	-	-	3,600,820	3,600,820
Interest	-	-	-	-	-	-	3,479,443	3,479,443
Capital Outlays	596,696	-	-	-	-	5,629,498	628,320	6,854,514
<b>Total Expenditures</b>	<b>67,645,552</b>	<b>437,697</b>	<b>-</b>	<b>222,394</b>	<b>731,909</b>	<b>8,387,276</b>	<b>7,906,749</b>	<b>85,331,577</b>
Excess (Deficiency) of Revenues Over Expenditures	1,874,698	46,069	2,378,986	433,057	2,109,773	(4,604,406)	330,877	2,569,054
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers - In	2,261,372	100,000	-	-	300,000	5,376,929	3,348,708	11,387,009
Transfers - Out	(3,870,816)	(250,000)	(910,743)	(253,641)	(2,459,220)	(1,200,000)	(3,388,611)	(12,333,031)
Other Non-Operating Expenditure	(1,970)	-	-	-	-	-	-	(1,970)
Sale of Capital Assets	43,100	-	-	-	-	334,719	-	377,819
<b>Total Other Financing Sources (Uses)</b>	<b>(1,568,314)</b>	<b>(150,000)</b>	<b>(910,743)</b>	<b>(253,641)</b>	<b>(2,159,220)</b>	<b>4,511,648</b>	<b>(39,903)</b>	<b>(570,173)</b>
<b>Net Change in Fund Balances</b>	<b>306,384</b>	<b>(103,931)</b>	<b>1,468,243</b>	<b>179,416</b>	<b>(49,447)</b>	<b>(92,758)</b>	<b>290,974</b>	<b>1,998,881</b>
FUND BALANCE JANUARY 1	17,216,346	170,429	7,026,996	243,986	1,788,994	4,193,469	5,084,411	35,724,631
FUND BALANCE DECEMBER 31	\$17,522,730	\$66,498	\$8,495,239	\$423,402	\$1,739,547	\$4,100,711	\$5,375,385	\$37,723,512

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the year ended December 31, 2015**

Net Changes in Fund Balances - Total Governmental Funds	\$1,998,881
Repayment of bond principal is reported as an expenditure in governmental funds and as a reduction of debt in the statement of net assets	3,600,820
Gain / (Loss) on Assets formerly not listed in Governmental Funds	(300,659)
(Increase) / Decrease in Compensated Absences not listed in Governmental Funds	(287,355)
Purchase of Capital Assets are treated as an expenditure in Governmental Funds	5,045,606
Equity Adjustment for Investment in Joint Ventures	(137,078)
Prior Period Adjustment - Land Assets acquired in previous years	468,897
Donated Capital Assets not included in Fund Statements	1,950,505
Revenues not reported in Governmental Funds:	
Non-Exchange transactions not reported in the governmental funds	394,054
Deferred Revenue - court receivables	262,739
Deferred Revenue - property and other taxes	16,410
Internal service funds net income is not reported in governmental funds	985,293
Depreciation of capital assets not reported in governmental funds	(9,748,251)
Fair Market Value Adjustment not reported in the governmental funds	(91,154)
Interest accrued on Governmental LT Debt not accrued on Governmental Statements	47,738
Change in Net Pension Liability, Deferred Inflows, Deferred Outflows, and Net Pension Assets not treated as an expenditure in Governmental Funds	1,475,810
Change in Accounting Principle - GASB 68 Pensions	(15,105,365)
Change in Net Pension Obligation not treated as an expenditure in Governmental Funds	(1,738,261)
Change in Net Position of Governmental Activities	\$(11,161,370)

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

**Statement of Net Position - Proprietary Funds**  
**December 31, 2015**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Drinking Water Wastewater Utility	Waste Resources Utility	Storm and Surface Water Utility		
ASSETS					
Current Assets					
Cash And Cash Equivalents	\$5,033,467	\$558,075	\$1,346,472	\$6,938,014	\$2,043,314
Investments	9,945,166	1,098,035	2,659,026	13,702,227	4,321,448
Receivables					
Customer Accounts	3,949,361	1,456,616	683,701	6,089,678	
Accrued Interest & Penalty	12,085	1,334	3,231	16,650	5,251
Other Receivables	171,803	111,442	-	283,245	2,234
Other Governmental Units	21,700	-	480,880	502,580	3,387
Inventories	179,346	-	-	179,346	191,859
Other Current Assets	1,650	-	-	1,650	78,856
Total Current Assets	19,314,578	3,225,502	5,173,310	27,713,390	6,646,349
Noncurrent Assets					
Capital Assets, Net	100,145,102	81,028	24,523,360	124,749,490	5,909,720
Restricted Cash	1,260,900	-	-	1,260,900	152,545
Total Noncurrent Assets	101,406,002	81,028	24,523,360	126,010,390	6,062,265
Total Assets	120,720,580	3,306,530	29,696,670	153,723,780	12,708,614
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows related to pensions	329,983	145,959	196,736	672,678	42,518
Total Deferred Outflows of Resources	329,983	145,959	196,736	672,678	42,518
LIABILITIES					
Current Liabilities					
Accounts Payable	1,518,050	365,215	164,487	2,047,752	26,575
Contracts Retainage Payable	88,596	-	68,463	157,059	-
Matured Interest Payable	177,541	-	9,948	187,489	-
Due To Other Governmental Units	-	26,472	-	26,472	77,934
Custodial Accounts	1,017	-	-	1,017	-
Wages Payable	185,941	110,437	72,967	369,345	25,818
Other Current Liabilities	248,309	-	-	248,309	388,489
Compensated Absences (Current Portion)	337,842	360,674	131,394	829,910	26,527
Bonds, Notes And Loans Payable	2,017,668	-	60,718	2,078,386	-
Total Current Liabilities	4,574,964	862,798	507,977	5,945,739	545,343
Noncurrent Liabilities					
Compensated Absences	15,517	-	-	15,517	70
Net Pension Liability	2,718,831	1,505,829	1,190,346	5,415,006	443,218
Bonds, Notes And Loans Payable	28,360,225	-	1,540,808	29,901,033	-
Total Noncurrent Liabilities	31,094,573	1,505,829	2,731,154	35,331,556	443,288
Total Liabilities	35,669,537	2,368,627	3,239,131	41,277,295	988,631
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows related to pensions	408,871	229,380	174,855	813,106	67,550
Total Deferred Inflows of Resources	408,871	229,380	174,855	813,106	67,550
NET POSITION					
Net Investment in Capital Assets	70,298,363	81,028	22,921,833	93,301,224	5,909,720
Restricted For:					
Bond Reserve Fund	1,260,900	-	-	1,260,900	-
Workers Comp Reserve	-	-	-	-	1,746,760
Unrestricted (Deficit)	13,412,892	773,454	3,557,587	17,743,933	4,038,471
Total Net Position	\$84,972,155	\$854,482	\$26,479,420	\$112,306,057	\$11,694,951

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

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds  
For Year Ended December 31, 2015**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility	Totals	
OPERATING REVENUES:					
Charges for Service	\$31,823,214	\$10,030,818	\$4,943,074	\$46,797,106	\$6,067,081
Miscellaneous Revenue	214,372	91,298	-	305,670	81,762
Total Operating Revenues	32,037,586	10,122,116	4,943,074	47,102,776	6,148,843
OPERATING EXPENSES:					
Operation and Maintenance	17,523,523	6,906,564	2,542,196	26,972,283	1,005,937
Administration and Overhead	5,155,594	1,869,870	2,411,737	9,437,201	3,133,690
Taxes	3,850,006	1,126,624	510,162	5,486,792	-
Depreciation and Amortization	3,650,582	10,556	753,315	4,414,453	1,064,665
Total Operating Expenses	30,179,705	9,913,614	6,217,410	46,310,729	5,204,292
Operating Income (Loss)	1,857,881	208,502	(1,274,336)	792,047	944,551
Non-Operating Revenues (Expenses):					
Investment Earnings	9,082	290	2,156	11,528	4,153
Gain/ (loss) on Disposal of Capital Assets	(330,567)	-	(120,798)	(451,365)	127,589
Interest Expense and Fiscal Charges	(807,881)	-	(39,772)	(847,653)	-
Total Non-Operating Revenues (Expenses)	(1,129,366)	290	(158,414)	(1,287,490)	131,742
Net Income (Loss) Before Contributions and Operating Transfers	728,515	208,792	(1,432,750)	(495,443)	1,076,293
Capital Contributions	1,854,050	-	534,351	2,388,401	-
Intergovernmental Revenue	-	17,429	142,573	160,002	-
Transfers - Out	(89,802)	(12,500)	(451,222)	(553,524)	(91,000)
Changes in Net Position	2,492,763	213,721	(1,207,048)	1,499,436	985,293
Net Position - Beginning	84,858,353	2,227,229	28,588,143	115,673,725	11,241,952
Change in Accounting Principle - GASB 68 Pensions	(2,953,913)	(1,586,468)	(1,116,075)	(5,656,456)	(532,294)
Prior Period Adjustment - Land Assets Acquired	574,952	-	214,400	789,352	-
Net Position - Ending	\$84,972,155	\$854,482	\$26,479,420	\$112,306,057	\$11,694,951

The accompanying notes are an integral part of this statement.

**Statement of Cash Flows - Proprietary Funds  
For Year Ended December 31, 2015**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Customers and Users	\$31,676,890	\$9,990,256	\$4,514,898	\$46,182,044	\$6,074,279
Cash Paid to Suppliers	(18,668,320)	(6,619,326)	(3,403,073)	(28,690,719)	(3,648,790)
Cash Paid to Employees	(2,991,654)	(1,698,703)	(1,319,569)	(6,009,926)	(515,814)
Cash Paid for Taxes	(3,849,627)	(1,126,624)	(510,162)	(5,486,413)	-
Non-Insurance Loss Recovery	-	-	-	-	81,762
Net Cash Provided (Used by Operating Activities)	6,167,289	545,603	(717,906)	5,994,986	1,991,437
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Operating Grants	-	17,429	142,573	160,002	-
Transfers - Out	(89,802)	(12,500)	(451,222)	(553,524)	(91,000)
Net Cash Provided from Non-Capital Activities	(89,802)	4,929	(308,649)	(393,522)	(91,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from Sale of Capital Assets	-	-	-	-	127,589
Purchase of Capital Assets	-	-	-	-	(657,141)
Capital Grants	-	-	105,651	105,651	-
Loan Proceeds	1,122,155	-	619,485	1,741,640	-
Acquisition and Construction of Capital Assets	(1,637,000)	(27,502)	(469,741)	(2,134,243)	-
Payment of Bond Principal	(1,290,000)	-	-	(1,290,000)	-
Payment of Bond Interest	(752,632)	-	-	(752,632)	-
Payment of Other Debt Principal	(621,112)	-	(53,439)	(674,551)	-
Payment of Other Interest	(314,874)	-	(29,824)	(344,698)	-
Net Cash Provided by Capital and Related Financing Activities	(3,493,463)	(27,502)	172,132	(3,348,833)	(529,552)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from Sale of Investments	-	-	-	-	714,174
Purchase of Investments	(9,978,733)	(1,101,757)	(2,668,036)	(13,748,526)	(4,336,096)
Interest on Investments	30,563	2,678	7,935	41,176	11,376
Net Cash Provided (Used) by Investing Activities	(9,948,170)	(1,099,079)	(2,660,101)	(13,707,350)	(3,610,546)
Net Increase in Cash and Cash Equivalents	(7,364,146)	(576,049)	(3,514,524)	(11,454,719)	(2,239,661)
Cash and Cash Equivalents, January 1	13,658,513	1,134,124	4,860,996	19,653,633	4,435,520
Cash and Cash Equivalents, December 31	\$6,294,367	\$558,075	\$1,346,472	\$8,198,914	\$2,195,859

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

**Statement of Cash Flows - Proprietary Funds (continued)**  
**For Year Ended December 31, 2015**

	Business-Type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility		
CASH PROVIDED BY OPERATING ACTIVITIES:					
Net Operating Income (Loss)	\$1,857,881	\$208,502	\$(1,274,336)	\$792,047	\$944,551
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Depreciation	3,650,582	10,556	753,315	4,414,453	1,064,665
(Increase) Decrease in Accounts Receivable	(408,978)	(188,703)	(55,959)	(653,640)	-
(Increase) Decrease in Other Receivables	43,782	56,843	82	100,707	7,198
(Increase) Decrease in Inventory	1,228	-	-	1,228	(14,428)
(Increase) Decrease in Other Current Assets	-	-	-	-	23,546
(Increase) Decrease in Deferred outflows - pensions	(329,983)	(145,959)	(196,736)	(672,678)	(42,518)
(Increase) Decrease in Due from Other Governments	4,500	-	(372,299)	(367,799)	-
Increase (Decrease) in Compensated Absences	27,654	89,454	160	117,268	(271)
Increase ( Decrease) in Net Pension Liability	(235,082)	(80,639)	74,271	(241,450)	(89,076)
Increase ( Decrease) in Deferred inflows - pensions	408,871	229,380	174,855	813,106	67,550
Increase (Decrease) in Accounts Payable	1,088,623	362,644	179,662	1,630,929	11,942
Increase (Decrease) in Due to Other Governments	-	1,631	-	1,631	(4,115)
Increase (Decrease) in Other Current Liabilities	58,211	1,894	(921)	59,184	22,393
Total Adjustments	4,309,408	337,101	556,430	5,202,939	1,046,886
Net Cash Provided by Operating Activities	\$6,167,289	\$545,603	\$(717,906)	\$5,994,986	\$1,991,437
CASH AND CASH EQUIVALENTS:					
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED AT DECEMBER 31					
Statement of Net Position:					
Cash and Residual Investments	\$5,033,467	\$558,075	\$1,346,472	\$6,938,014	\$2,043,314
Restricted Assets:					
Debt Service					
Cash and Residual Investments	1,260,900	-	-	1,260,900	-
Workers Compensation Surety					
Cash and Residual Investments	-	-	-	-	152,545
Cash and Cash Equivalents, December 31	\$6,294,367	\$558,075	\$1,346,472	\$8,198,914	\$2,195,859
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Contribution of capital assets	\$1,854,050	\$-	\$428,700	\$2,282,750	

The accompanying notes are an integral part of this statement.

**Trust and Agency Statement of Fiduciary Net Position - Fiduciary Funds**  
**December 31, 2015**

	Firemens' Pension Plan	Employee OPEB Trust	Private Purpose Trusts	Agency Funds
<b>ASSETS</b>				
Cash and Residual Investments	\$1,002,511	\$353,842	\$395,307	\$52,253
Investments	3,768,155	1,242,534	799,347	-
Receivables (Net of Allowances):				
Accrued Interest	12,051	1,873	1,341	-
Total Assets	4,782,717	1,598,249	1,195,995	52,253
<b>LIABILITIES</b>				
Accounts Payable	-	-	-	534
Other Current Liabilities	-	-	-	6,207
Due to Other Governments	-	-	-	45,512
Total Liabilities	-	-	-	52,253
<b>NET POSITION</b>				
Held in Trust for Pension Benefits and Other Purposes	\$4,782,717	\$1,598,249	\$1,195,995	\$-

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

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For Year Ended December 31, 2015**

	Firemens' Pension Plan	Employee OPEB Trust	Private Purpose Trusts
<b>ADDITIONS</b>			
Employer Contributions	\$154,250	\$752,060	\$-
State Contributions			
Fire Insurance Premium Tax	90,843	-	-
Total Contributions	245,093	752,060	-
Investment Income	2,648	(264)	1,298
Net Investment Earnings	2,648	(264)	1,298
Total Additions	247,741	751,796	1,298
<b>DEDUCTIONS</b>			
Benefits	295,252	737,904	-
Administrative Expenses	-	-	132,970
Transfers	-	-	(6,189)
Total Deductions	295,252	737,904	126,781
<b>CHANGE IN NET POSITION</b>	<b>(47,511)</b>	<b>13,892</b>	<b>(125,483)</b>
Net Position - Beginning of the Year	4,830,228	1,584,357	1,321,478
Net Position - End of the Year	\$4,782,717	\$1,598,249	\$1,195,995

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



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

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

### **A. Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

The City of Olympia reports the following major governmental funds:

#### **General Fund**

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

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

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

#### **Impact Fees Fund**

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

#### **Lodging Tax Fund**

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

#### **Parks and Recreation Utility Tax Fund**

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

#### **Capital Improvement Fund**

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

The City reports the following major enterprise funds:

#### **Drinking Water and Wastewater Fund**

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

#### **Waste Resources Fund**

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

#### **Storm and Surface Water Fund**

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

Additionally, the City reports the following fund types:

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

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

The pension and other employee benefit trust funds is used to account for Firefighter's Pension. For additional information on the Firefighters Pension see Note 7.B and on the LEOFF Post Employment Benefits see Note 17.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all of the City's Utilities are charges for service. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **D. Budgetary Information**

### Scope of Budget

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

Annually adopted budgets are adopted for the following Funds:

#### General Fund

All active general obligation debt service funds:

4th/5th Ave Bridge Fund 216

LTGO Parks Bond Fund 223

UTGO Fire Bond Fund 224

City Hall Debt Fund 225

LTGO Street Bond Fund 226

Local Debt Fund 227

LTGO Hands on Children's Museum Bond Fund 228

LTGO WA Center, LED, Parks Bond Fund 229

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

### Amending the Budget

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The City Manager is authorized to transfer appropriations within a fund, however, an increase of the annual adopted budget requires Council action and is done by ordinance. Individual transfers were not material in relation to original appropriations. During the year 2015, there were several supplementary appropriations authorized by the City Council in the General Fund budget totaling \$13,445,650.

The financial statements contain the original and final budget information for the legally required budget of the General Fund, which is located in the Required Supplemental Information section. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

## **E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

### Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2015, the treasurer was holding \$24,375,532 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. For more information on the City's Cash and Cash Equivalents, see Deposits and Investments Note No. 4.

Investments – (See Deposits and Investments Note No. 4)

### Receivables

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

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2015, \$3,225 of special assessments receivable were delinquent.

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

#### Inventories and Prepaids

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

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

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

#### Restricted Assets and Liabilities

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

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

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

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

Cash and Investments - Workers' Compensation Reserve ..... \$152,545

#### Capital Assets – (See Note 6)

Capital assets, which include: property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 to \$50,000 depending on the asset and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

#### Compensated Absences

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

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

#### Other Compensated Benefits

The City of Olympia self-insures unemployment compensation on a reimbursable basis to the State of Washington. The City utilizes the services of Penser NorthAmerica, Inc. to manage claims of the program. As of December 31, 2015 the Unemployment Compensation Fund had a fund balance of \$345,711 which is equal to approximately 20 maximum liability claims (26 weeks at \$664 per week).

#### Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

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

#### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Unearned Revenues

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

#### Fund Balance Classification

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

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

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

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

## Fund Balance Details

Fund Balance details for the year ended December 31, 2015 are listed below.

### FUND BALANCES: GOVERNMENTAL FUNDS DECEMBER 31, 2015

	General	H.U.D	Impact Fees	Lodging Tax	Parks & Recreation Utility Tax	Capital Improvement	Other Governmental	Total Governmental Funds
<b>Fund Balance:</b>								
Nonspendable:								
Pre-Payments	\$71,576	\$-	\$-	\$-	\$-	\$-	\$-	\$71,576
Loans Receivable	3,250	-	-	-	-	-	-	3,250
Total Nonspendable	74,826	-	-	-	-	-	-	74,826
<b>Restricted for:</b>								
Public Defense Improvements	10,000	-	-	-	-	-	-	10,000
Bond/LID Reserve	-	-	-	-	-	-	78,048	78,048
Debt Service Reserve	-	-	-	-	-	-	58,567	58,567
HUD Programs	-	66,498	-	-	-	-	-	66,498
Lodging & Tourism Benefit	-	-	-	423,402	-	-	-	423,402
Major Repairs & Maintenance	-	-	-	-	-	-	298,970	298,970
Parking Improvement	-	-	-	-	-	-	210,657	210,657
Parks & Roads Construction	-	-	8,495,240	-	-	-	-	8,495,240
Parks & Sidewalk Construction	-	-	-	-	1,739,547	-	-	1,739,547
Transportation Projects	-	-	-	-	-	-	4,392,999	4,392,999
WA Center for Performing Arts	78,229	-	-	-	-	-	-	78,229
Other Purposes	188,384	-	-	-	-	-	-	188,384
Total Restricted	276,613	66,498	8,495,240	423,402	1,739,547	-	5,039,241	16,040,541
<b>Committed to:</b>								
Appropriated to Next Year's Budget	116,500	-	-	-	-	-	-	116,500
Community Development	513,352	-	-	-	-	-	-	513,352
Debt Service	-	-	-	-	-	-	4,246	4,246
Equipment and Facilities Reserve	3,628,676	-	-	-	-	-	43,355	3,672,031
Municipal Arts	373,154	-	-	-	-	-	-	373,154
New City Hall	-	-	-	-	-	-	288,542	288,542
Parking	729,601	-	-	-	-	-	-	729,601
Total Committed	5,361,283	-	-	-	-	-	336,143	5,697,426
<b>Assigned to:</b>								
Continuing Appropriations	3,875,850	-	-	-	-	4,100,711	-	7,976,561
Total Assigned	3,875,850	-	-	-	-	4,100,711	-	7,976,561
<b>Unassigned:</b>	7,934,158	-	-	-	-	-	-	7,934,158
<b>Fund Balance Total:</b>	<b>\$17,522,730</b>	<b>\$66,498</b>	<b>\$8,495,240</b>	<b>\$423,402</b>	<b>\$1,739,547</b>	<b>\$4,100,711</b>	<b>\$5,375,384</b>	<b>\$37,723,512</b>

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

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets are not reported in the governmental funds.” The details of this \$242,820,936 are as follows:

Land	\$47,443,531
Construction in Progress	2,309,640
Buildings	101,265,690
Less: Accumulated Depreciation	(22,957,027)
Improvements other than buildings	27,334,767
Less: Accumulated Depreciation	(2,611,256)
Machinery and Equipment	9,953,571
Less: Accumulated Depreciation	(7,367,098)
Infrastructure	170,769,438
Less: Accumulated Depreciation	(83,320,320)
Net Adjustment to increase <i>fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u>\$242,820,936</u>

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

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

## NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

## NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Bank Balance	
LGIP Investments	\$10,461,867
Bank Balance of Deposits	16,178,686
Investments	50,688,475
	<u>\$77,329,028</u>
Financial Statements	
Cash and Cash Equivalents	\$24,375,532
Investments	\$44,878,439
Fiduciary Cash	1,803,912
Fiduciary Investments	5,810,036
Bank account - Outstanding Items	477,451
Cash on Hand	(10,135)
Municipal Court Bank Account	(6,207)
	<u>\$77,329,028</u>



## A. Deposits

The City's bank balances of deposits and certificates of deposits at December 31, 2015 are entirely insured. The Federal Depository Insurance Commission (FDIC) insures the City's deposits up to \$250,000 and the Washington Public Deposit Protection Commission (WPDP) insures amounts over \$250,000.

## B. Investments

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

The City as of December 31, 2015, had \$10,461,867 in the LGIP and the fair value of the position in the investment pool is the same as the value of pool shares. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The State Treasurer created the LGIP Advisory Committee to provide advice on the operation of the pool. Of the twelve committee members, all of whom are active LGIP participants, eight members are appointed by participant associations, and four members are appointed by the State Treasurer. The LGIP Advisory Committee will meet at least quarterly; however, meetings may also be called at the discretion of the State Treasurer. As prescribed by RCW 43.09.050, the State Auditor will "audit the accounts" and "inspect the books" of the State Treasurer to determine the compliance of investment activities with state statutes and this policy. In addition, the LGIP will contract, through the State Auditor's Office, for an outside independent audit of LGIP financial statements. The LGIP is not rated by an outside agency.

The City as of December 31, 2015, had \$61,150,342 in authorized investments, and was in compliance with the diversification percentage policy of the City. At year end, the City had the following investments and maturities as fair value:

Investment Type	Diversification	Weighted Average Maturity (Years)	Cost Amount	Fair Value
U.S. Government & Agencies - FHLMC	2.03%	1.97	\$1,247,237	\$1,241,157
Municipal Bonds	0.45%	0.55	272,783	272,869
T-Note	60.58%	1.51	37,171,735	37,047,470
FNMA Bond	11.66%	2.38	7,156,002	7,127,599
FHLB	8.18%	1.46	5,018,801	4,999,380
Investment in State Treasurer's Investment Pool	17.00%	0.14	10,461,867	10,461,867
<b>Total Investments</b>	<b>100.00%</b>		<b>\$61,328,425</b>	<b>\$61,150,342</b>
<b>Portfolio weighed average maturity</b>		0.97		

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

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

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

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



## NOTE 5 - PROPERTY TAXES

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

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

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

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

- A. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- B. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit. The City's regular levy for 2015 was \$2.3978 per \$1,000 on an assessed valuation of \$5,671,256,103 for a total regular levy of \$13,598,436.
- C. The City is also authorized to levy \$.45 per \$1,000 of assessed valuation for the firemen's pension fund. See Pension Note No. 7.B. This levy is subject to the same limitations as the levy for general government services. The city's firemen's pension levy for 2015 was \$.027 per \$1,000 and is included in the amounts listed above.

## NOTE 6 – CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

### A. Capital Assets

Capital assets activity for the year ended December 31, 2015 is as follows:

Governmental Activities	Balance 01/01/15	Adjustment to Beginning Balance	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated:					
Land	\$45,083,174	\$1,708,899	\$952,117	\$300,659	\$47,443,531
Construction in progress	12,647,551		4,745,381	15,083,292	2,309,640
<b>Total capital assets, not being depreciated</b>	<b>57,730,725</b>	<b>1,708,899</b>	<b>5,697,498</b>	<b>15,383,951</b>	<b>49,753,171</b>
Capital assets, being depreciated:					
Buildings	100,900,496	(40,294)	405,488	-	101,265,690
Improvements other than buildings	27,093,637	(829,130)	1,070,260	-	27,334,767
Machinery and Equipment Govt.	9,115,766	380,443	502,195	44,833	9,953,571
Machinery and Equipment Int Svc	15,273,812	-	657,141	772,205	15,158,748
Machinery and Equipment Subtotal	24,389,578	380,443	1,159,336	817,038	25,112,319
Infrastructure	157,116,496	(751,021)	14,403,963	-	170,769,438
<b>Total capital assets being depreciated</b>	<b>309,500,207</b>	<b>(1,240,002)</b>	<b>17,039,047</b>	<b>817,038</b>	<b>324,482,214</b>
Less accumulated depreciation for:					
Buildings	19,369,131	315,654	3,272,242	-	22,957,027
Improvements other than buildings	2,725,451	(185,823)	71,628	-	2,611,256
Machinery and Equipment Govt.	6,870,065	(129,831)	671,697	44,833	7,367,098
Machinery and Equipment Int Svc	8,956,569	-	1,064,664	772,205	9,249,028
Machinery and Equipment Subtotal	15,826,634	(129,831)	1,736,361	817,038	16,616,126
Infrastructure	77,587,636	-	5,732,684	-	83,320,320
Total accumulated depreciation	115,508,852	-	10,812,915	817,038	125,504,729
<b>Total capital assets, being depreciated, net</b>	<b>193,991,355</b>	<b>(1,240,002)</b>	<b>6,226,132</b>	<b>-</b>	<b>198,977,485</b>
<b>Governmental activities capital assets, net</b>	<b>\$251,722,082</b>	<b>\$468,897</b>	<b>\$11,923,630</b>	<b>\$15,383,951</b>	<b>\$248,730,656</b>

Business-Type Activities	Balance 01/01/15	Adjustment to Beginning Balance	Increases	Decreases	Balance 12/31/15
Capital assets, not being depreciated:					
Land	\$3,503,968	\$970,597	\$ -	\$ -	\$4,474,565
Construction in Progress	5,865,506	-	2,086,099	5,934,443	\$2,017,162
<b>Total capital assets, not being depreciated</b>	<b>9,369,473</b>	<b>970,597</b>	<b>2,086,099</b>	<b>5,934,443</b>	<b>6,491,727</b>
Capital assets, being depreciated:					
Buildings	8,614,088	(3,799,059)	-	-	4,815,029
Improvements other than buildings	162,149,172	3,453,316	9,247,137	1,262,888	173,586,737
Machinery and equipment	2,871,156	176,016	226,401	75,494	3,198,079
Intangible assets	7,089,148	(58,303)	52,500	2,941,418	4,141,927
<b>Total capital assets being depreciated</b>	<b>180,723,564</b>	<b>(228,030)</b>	<b>9,526,038</b>	<b>4,279,800</b>	<b>185,741,772</b>
Less accumulated depreciation for:					
Buildings	6,381,782	(2,424,811)	136,022	-	4,092,993
Improvements other than buildings	53,478,664	2,648,399	4,075,221	766	60,201,518
Machinery and equipment	2,231,704	(209,642)	129,832	59,983	2,091,911
Intangible assets	3,591,927	(60,731)	73,378	2,506,987	1,097,587
Total accumulated depreciation	65,684,074	(46,785)	4,414,453	2,567,736	67,484,009
<b>Total capital assets, being depreciated, net</b>	<b>115,039,490</b>	<b>(181,245)</b>	<b>5,111,585</b>	<b>1,712,064</b>	<b>118,257,763</b>
<b>Business-type activities capital assets, net</b>	<b>\$124,408,963</b>	<b>\$789,352</b>	<b>\$7,197,684</b>	<b>\$7,646,507</b>	<b>\$124,749,490</b>

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

The "Adjustment to Beginning Balance" column represents the adjustments between asset classifications as a result of a City fixed asset system review for both the Governmental Activities and Business Type Activities assets. The re-classifications are more representative of the assets that the City holds. The review also found Land assets of the City that were acquired or donated in prior years that were not in the fixed asset system and therefore not reported in previous years. In 2015, the City added the value of the Land at the time of acquisition to the fixed asset system and reported these adjustments as Prior Period Adjustments on the financial statements in the amount of \$468,897 for Governmental Activities and \$789,352 for Business Type Activities.

Depreciation and Amortization expense was charged to functions/programs of the primary government and the business type activities for the year ended December 31, 2015 are as follows:

<b>Governmental Activities:</b>	
General Government:	\$3,540,748
Security of Persons and Property	381,573
Transportation	5,747,108
Culture and Recreation	78,821
Internal Service Funds	1,064,665
Total Depreciation/Amortization – Governmental Activities	<u>\$10,812,915</u>
<b>Business-Type Activities:</b>	
Drinking Water/ Wastewater Utility	\$3,650,582
Waste ReSources Utility	10,556
Storm and Surface Water Utility	753,315
Total Depreciation/Amortization – Business-Type Activities	<u>\$4,414,453</u>

## NOTE 7 – PENSION PLANS

### A. State Sponsored Pension Plans

The City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68 for the year ended December 31, 2015. The following table represents the aggregate pension amounts for the State Sponsored Pension Plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2015:

<b>Aggregate Pension Amounts - State Sponsored Pension Plans</b>		
Pension Liabilities	\$	22,034,645
Pension Assets	\$	7,420,760
Deferred Outflows of Resources related to pensions	\$	3,767,138
Deferred Inflows of Resources related to pensions	\$	5,369,461
Pension Expense/Expenditures	\$	2,268,968

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

## Public Employees' Retirement System (PERS)

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

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

### Contributions

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

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

\*for employees participating in JBM, the Contribution rate was 12.26%

The City of Olympia actual contributions to the plan were \$1,160,699 for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts

Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2*/3**	Employee 2*
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
*for employees participating in JBM, the Contribution rate was 15.30%		
**PERS 3 Employee Contributions Vary.		

The City of Olympia actual contributions to the plan were \$1,474,478 for the year ended December 31, 2015.

#### Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

#### Contributions

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

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

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

The City of Olympia actual contributions to the plan were \$99,009 for the year ended December 31, 2015.

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### Contributions

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

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

### Contributions

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

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January through June 2015	5.23%	8.41%
July through December 2015	5.23%	8.41%

The City of Olympia actual contributions to the plan were \$868,339 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the 2007-2012 Experience Study Report, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the 2007-2012 Experience Study Report.

#### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

#### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

#### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	



## Sensitivity of NPL

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

Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 14,712,585	\$ 12,084,232	\$ 9,824,091
PERS 2/3	\$ 28,940,313	\$ 9,897,332	\$ (4,683,164)
PSERS 2	\$ 403,348	\$ 53,082	\$ (196,078)
LEOFF 1	\$ (1,045,212)	\$ (1,633,773)	\$ (2,135,413)
LEOFF 2	\$ 5,795,292	\$ (5,786,987)	\$ (14,503,091)

## Pension Plan Fiduciary Net Position

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

## Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City of Olympia reported a total pension liability of \$22,034,645 for its proportionate share of the net pension liabilities and a total pension asset of (\$7,420,760) for its proportionate share of the net pension assets as follows:

Plan	Liability or (Asset)
PERS 1	\$ 12,084,231
PERS 2/3	\$ 9,897,332
PSERS 2	\$ 53,082
LEOFF 1	\$ (1,633,773)
LEOFF 2	\$ (5,786,987)

The amount of the liability/(asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City of Olympia. The amount recognized by the City of Olympia as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City of Olympia were as follows:

Plan	Liability or (Asset)
LEOFF 2 – employer's proportionate share	\$ (5,786,987)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	\$ (3,826,358)
Total	\$ (9,613,345)

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

Plan	Proportionate Share 06/30/2014	Proportionate Share 06/30/2015	Change in Proportion
PERS 1	0.228140%	0.231015%	0.002875%
PERS 2/3	0.271543%	0.276999%	0.005456%
PSERS 2	0.268293%	0.290827%	0.022534%
LEOFF 1	0.137457%	0.135558%	(0.001899%)
LEOFF 2	0.561017%	0.563046%	0.002029%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.



In fiscal year 2015, the State of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2015, the City of Olympia recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ 846,287
PERS 2/3	\$ 1,270,081
PSERS 2	\$ 99,046
LEOFF 1	\$ (308,110)
LEOFF 2	\$ 361,664
<b>Total</b>	<b>\$ 2,268,968</b>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City of Olympia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments		\$ 661,139
Contributions subsequent to the measurement date	\$ 635,909	
<b>TOTAL</b>	<b>\$ 635,909</b>	<b>\$ 661,139</b>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,052,088	
Net difference between projected and actual investment earnings on pension plan investments		\$ 2,642,119
Changes of assumptions	\$ 15,947	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 175,555	
Contributions subsequent to the measurement date	\$ 819,046	
<b>TOTAL</b>	<b>\$ 2,062,636</b>	<b>\$ 2,642,119</b>

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,731	
Net difference between projected and actual investment earnings on pension plan investments		\$ 26,329
Changes of assumptions	\$ 329	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 1,375	
Contributions subsequent to the measurement date	\$ 52,284	
<b>TOTAL</b>	<b>\$ 103,719</b>	<b>\$ 26,329</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings on pension plan investments		\$ 275,813
Contributions subsequent to the measurement date	\$ 242	
<b>TOTAL</b>	<b>\$ 242</b>	<b>\$ 275,813</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 506,747	
Net difference between projected and actual investment earnings on pension plan investments		\$ 1,753,427
Changes of assumptions	\$ 15,264	
Changes in proportion and differences between contributions and proportionate share of contributions		\$ 10,634
Contributions subsequent to the measurement date	\$ 442,621	
<b>TOTAL</b>	<b>\$ 964,632</b>	<b>\$ 1,764,061</b>

<b>Total of All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,608,566	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 5,358,827
Changes of assumptions	\$ 31,540	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 176,930	\$ 10,634
Contributions subsequent to the measurement date	\$ 1,950,102	\$ -
<b>TOTAL</b>	<b>\$ 3,767,138</b>	<b>\$ 5,369,461</b>

Deferred outflows of resources related to pensions resulting from the City of Olympia contributions subsequent to the measurement date in the amount of \$1,950,102 will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31:</b>	<b>PERS 1</b>
2016	\$ (256,235)
2017	\$ (256,235)
2018	\$ (256,235)
2019	\$ 107,566
<b>Total</b>	<b>\$ (661,139)</b>

<b>Year Ended December 31:</b>	<b>PERS 2/3</b>
2016	\$ (665,713)
2017	\$ (665,713)
2018	\$ (665,716)
2019	\$ 598,614
<b>Total</b>	<b>\$ (1,398,528)</b>

<b>Year Ended December 31:</b>	<b>PSERS2</b>
2016	\$ (1,935)
2017	\$ (1,935)
2018	\$ (1,937)
2019	\$ 13,770
2020	\$ 8,573
Thereafter	\$ 8,570
<b>Total</b>	<b>\$ 25,106</b>

<b>Year Ended December 31:</b>	<b>LEOFF 1</b>
2016	\$ (107,026)
2017	\$ (107,026)
2018	\$ (107,026)
2019	\$ 45,264
<b>Total</b>	<b>\$ (275,814)</b>

<b>Year Ended December 31:</b>	<b>LEOFF 2</b>
2016	\$ (587,101)
2017	\$ (587,101)
2018	\$ (587,106)
2019	\$ 401,242
2020	\$ 98,346
Thereafter	\$ 19,669
<b>Total</b>	<b>\$ (1,242,051)</b>

## B. Single Employer Plan

### FIREMENS' PENSION

#### Summary of Significant Accounting Policies

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

Separate financial statements are not issued for the FPFP. The statement of fiduciary net position and the statement of changes in fiduciary net position for the fire pension plan can be found in the Trust and Agency Section of the Basic Financial Statements portion of this report. The notes to the FPFP provide detailed disclosures related to GASB Statements 67 and 68. The following table represents the aggregate pension amounts for the FPFP for the year 2015:

Aggregate Pension Amounts - Fire Pension Fund	
Pension Liabilities	\$1,041,259
Deferred Outflows of Resources related to pensions	\$132,433
Pension Expense/Expenditures	\$238,824

#### Benefits Provided

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

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

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

#### Plan Description

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

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

Membership of the Firemens' Pension Plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

Firefighters retired from service after March 1, 1970	12
Firefighters disabled in line of duty since March 1, 1970	9
Survivors of Firefighters retired after March 1, 1970	4

## Funding Policy

Under State law, the FPPF is funded from an allocation from the State of Washington of fire insurance premium taxes; interest earnings; member contributions which were made prior to March 1, 1970 (the inception of LEOFF); and City contributions required to meet projected future pension obligations. The City is funding the plan from City contributions over a 26 year (2000-2025) funding plan of property tax revenues, along with future revenues from state fire insurance taxes and interest earnings which will be sufficient to pay all future pension benefits. The Plan is partially funded through a tax levied by the State of Washington on fire insurance premiums. The revenue received through this tax amounted to \$90,843 in 2015. Since the benefits provided by the Plan are the excess benefits between the City's FPPF plan and the state's LEOFF plan, a modified aggregate projected benefit actuarial cost method is used for funding purposes. Under this method, all excess liabilities not covered by the actuarial assets as of the date of the valuation are funded as a level dollar or an increasing dollar amount over the period until the youngest participant is expected to reach age 74.

## Net Pension Liability of the City

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

Total Pension Liability	\$5,823,975
Plan Fiduciary Net Position	4,782,716
<b>City's Net Pension Liability</b>	<b>\$1,041,259</b>

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

### Actuarial Valuation Assumptions

<b>Valuation Date:</b>	January 1, 2014	January 1, 2016
<b>Measurement Date:</b>	December 31, 2014	December 31, 2015
<b>Inflation:</b>	2.50%	2.25%
<b>Salary Increases Including Inflation</b>	3.50%	3.25%
<b>Discount Rate</b>	3.50%	3.50%
<b>Long-Term Expected Rate of Return</b>	3.50%	3.50%
<b>Mortality</b>	RP-2000 Mortality Table, projected to 2019 using 50% of Projection Scale AA, adjusted one year back and forward for males and females respectively (forward 2 years for disabled members).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (forward 2 years for disabled members).
<b>Actuarial Cost Method:</b>	Entry Age Normal	Entry Age Normal

The long-term expected rate of return on pension plan investments was determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of December 31, 2015 are as follows:

Asset Class	Long-Term Expected Real Rate of Return
Cash	0.65%
Short-Term Bonds	1.49%
Assumed Inflation	2.25%
Long-Term Expected Rate of Return	3.50%

The discount rate used to measure the total pension liability was 3.50 percent. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. The Bond Buyer General Obligation 20-year municipal bond index as of December 31, 2015 is 3.57 percent. Rounding this to the nearest 1/4 percent results in the discount rate.

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

Sensitivity of the Net Pension Liability			
	1% Decrease	Current Discount Rate	1% Increase
	2.50%	3.50%	4.50%
City's Net Pension Liability	\$1,733,767	\$1,041,259	\$457,206

## Investments

As of December 31, 2015, the FPPF had an investment portfolio with a fair value of \$3,768,155 which was invested in U.S. Governmental and Municipal Agencies on behalf of the Firemen's Pension Plan. In addition to these investments, the Plan had cash and cash equivalents totaling \$1,002,511 in the Washington State Treasurer Local Government Investment Pool (LGIP), a Rule 2a-7 money market type fund with an average portfolio maturity of less than 91 days. All investments are valued at fair market value.

As of December 31, 2015 the annual money-weighted rate of return on pension plan investments, net of investment expenses, was 0.05 percent. The money-weighted rate of return considers the changing amounts actually invested during the period and weights the amount of the pension plan investments by the proportion of time they are available to earn a return during the period.

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

## Changes in the Net Pension Liability

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances as of December 31, 2014</b>	<b>\$5,500,230</b>	<b>\$4,830,228</b>	<b>\$670,002</b>
Changes for the year:			
Interest on total pension liability	187,409		187,409
Effect of plan changes			-
Effect of economic/demographic gains/(losses)	(171,274)		(171,274)
Effect of assumptions changes or inputs	601,523		601,523
Benefit payments	(293,913)	(293,913)	-
Medical payments from fund		(275)	275
Employer contributions		154,250	(154,250)
Contributions from state fire insurance premium tax		90,843	(90,843)
Net Investment income		2,647	(2,647)
Administrative expenses		(1,064)	1,064
<b>Balances as of December 31, 2015</b>	<b>\$5,823,975</b>	<b>\$4,782,716</b>	<b>\$1,041,259</b>

## Deferred Outflows of Resources

At December 31, 2015 the City reported deferred outflows of resources related to the FPPF from the following source:

PERS 1	Deferred Outflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$132,433
<b>TOTAL</b>	<b>\$132,433</b>

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

Year Ended December 31:	PERS 1
2016	\$ 33,108
2017	\$ 33,108
2018	\$ 33,108
2019	\$ 33,109
<b>Total</b>	<b>\$ 132,433</b>

## **NOTE 8 - RISK MANAGEMENT**

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

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 Members.

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

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

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

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

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

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

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

### **B. Property**

The City of Olympia purchases property insurance for buildings, contents and other insurable assets through Factory Mutual Global Insurance. Year 2015 coverage extends to approximately \$277 million of City property with a \$35,000 deductible. The coverage includes \$50 million earth movement subject to a 5% per location or minimum of \$100,000 deductible and flood coverage subject to a \$50,000 per location deductible.

### **C. Settlements**

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

## **NOTE 9 - LONG-TERM LIABILITIES**

### **A. Long-Term Debt**

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

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

General obligation bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2015
<b>General Obligation Bonds</b>					
2006 Parks	9,385,000	1,234 - 1,091	2016	5.00	1,135,000
2009A City Hall LTGO	2,400,000	318 - 322	2019	4.199	1,165,000
2009B City Hall BABs	32,810,000	2,099 - 3,303	2039	4.199	32,810,000
2009 Fire Dept Station and Training Center	16,180,000	1,190 - 1,195	2029	4.035	12,535,000
2010 Streets Projects LTGO	5,865,000	434 - 437	2029	5.00	4,580,000
2010B HOCM LTGO	5,670,000	291 - 563	2028	4.250	4,725,000
2013 WA Center, LED, and Parks LTGO	6,345,000	165 - 560	2032	5.00	5,285,000
<b>Total General Obligation Bonds</b>					<b>\$62,235,000</b>

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2016	3,030,000	3,307,624
2017	1,975,000	3,177,224
2018	2,060,000	3,096,149
2019	2,155,000	3,008,499
2020	2,265,000	2,916,749
2021-2025	14,880,000	12,700,082
2026-2030	14,610,000	8,949,755
2031-2035	11,040,000	5,490,621
2036-2039	10,220,000	1,703,149
Total	\$62,235,000	\$44,349,852

Enterprise revenue bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2015
<b>Enterprise Revenue Bonds</b>					
2007 Waterworks	8,000,000	240 - 610	2027	4.00-4.125	5,690,000
2010 Waterworks	6,485,000	475 - 480	2030	3.45	5,260,000
2013 Water/ Sewer	7,780,000	650 - 910	2023	4.10	6,435,000
<b>Total Enterprise Revenue Bonds</b>					<b>\$17,385,000</b>
<b>Special Assessment Notes - LID Debt</b>					
LID 762 - Woodland Park Water	167,998		2017	6.50	17,783
<b>Total Special Assessment Bonds</b>					<b>\$17,783</b>

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

Year Ending December 31,	Business Type Activities	
	Principal	Interest
2016	1,330,000	710,531
2017	1,385,000	659,981
2018	1,430,000	611,981
2019	1,490,000	554,781
2020	1,555,000	487,381
2021-2025	6,890,000	1,445,293
2026-2030	3,305,000	355,938
Total	\$17,385,000	\$4,825,886



Loans currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2015
<b>State of Washington Trust Fund Loans</b>					
4th Avenue Bridge	6,049,030	360,377	2020	1.00	1,801,886
4th Avenue Bridge	3,111,250	173,382	2021	1.00	1,040,295
Sleater-Kinney Sewer	1,808,375	57-62,000	2028	3.00	1,195,302
Subtotal State of Washington Trust Fund Loans					\$4,037,483
<b>Other Loans</b>					
Local Program Energy Savings	1,534,496	68-171,000	2020	2.97	745,787
DOE Septic Conversion Assistance Program	250,000	100-900	2031	2.90	90,136
DOE State Ave. Stormwater Retrofit	619,485	5-19,800	2035	2.30	619,485
Yauger Park Stormwater	1,214,018	6-41,000	2031	3.10	982,042
DWSRF McAllister Wellfield Development	6,060,000	284,463	2034	1.50	5,404,804
DWSRF McAllister Wellfield Transmission Pipeline	4,811,640	240,582	2034	1.50	4,571,057
DWSRF SE Olympia Reservoir Loan	11,983,650	N/A*	2037	1.50	1,200,440
Subtotal Other Loans					\$13,613,751
Loans Total					\$17,651,234

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

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

Year Ending December 31,	Governmental Activities		Business Type Activities		Total Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$691,044	\$44,217	\$681,961	\$200,987	\$1,373,005	\$245,204
2017	695,752	35,039	761,228	208,603	1,456,980	243,642
2018	700,600	25,720	763,636	198,148	1,464,236	223,868
2019	705,593	16,256	766,111	186,480	1,471,704	202,736
2020	621,596	6,642	768,655	174,743	1,390,251	181,385
2021-2025	173,382	867	3,884,004	695,094	4,057,386	695,961
2026-2030	-	-	3,738,807	390,547	3,738,807	390,547
2030-2034	-	-	2,584,537	118,417	2,584,537	118,417
2035-2037	-	-	114,328	4,864	114,328	4,864
Total	\$3,587,967	\$128,741	\$14,063,267	\$2,177,883	\$17,651,234	\$2,306,624

At December 31, 2015, the City has \$62,813 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,260,900 in reserves as required by bond indentures. The Drinking Water and Wastewater Utilities of the proprietary funds are responsible for the repayment of the Enterprise Revenue Bonds. Revenue bonds are payable from revenues generated by the user fees, and are backed by the Drinking Water and Wastewater Utilities. The Drinking Water and Wastewater Utility Fund has \$13,412,892 in Unrestricted Net Position, ensuring that funds are available for repayment.

There are a number of other limitations and restrictions contained in the various indentures. The City is in compliance with all significant limitations and restrictions. Debt service requirements for the LID 762 Woodland Park Water special assessment bonds are met by assessments levied against property owners. The L.I.D. as of December 31, 2015 has a outstanding balance of \$17,783. The City has no financial obligation for defaults by property owners on special assessment debt except for insuring the funding of the Guaranty Fund and as of December 31, 2015 the Guaranty Fund has a balance of \$78,048. Assessments are liens against the assessed property.

### Legal debt margin

The City's total legal limit of indebtedness is 7.5% of the assessed property value, \$5,671,256,103 of which 1.5% may be for General Purpose Debt without a vote of the people, 1% may be for General Purpose Debt with a vote of the people, 2.5% may be for Utility Purpose Debt with a vote of the people, and 2.5% may be for Open Space, Parks, and Capital Facilities Debt with a vote of the people. At December 31, 2015 the available debt limit is as follows:

	Debt Limit	Applicable Debt
General Purpose Debt Limit without a vote of the people (1.5%)	\$85,068,842	\$52,821,907
General Purpose Debt Limit with a vote of the people (1.0%)	56,712,561	12,535,000
Utility Purpose Debt Limit with a vote of the people (2.5%)	141,781,403	-
Open Space, Park, and Capital Facilities Debt Limit with a vote of the people (2.5%)	141,781,403	1,135,000
	<hr/> \$425,344,209	<hr/> \$66,491,907
Assessed Value	\$5,671,256,103	

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

The following table displays total annual debt service requirements to maturity on all bonds and loans including interest as of December 31, 2015. Amounts listed include principal and interest.

Year Ending December 31,	Bonds	Other Loans	Trust Fund Loans	Total
2016	8,378,155	963,306	654,903	9,996,364
2017	7,197,205	1,050,650	649,972	8,897,827
2018	7,198,130	1,043,062	645,042	8,886,234
2019	7,208,280	1,034,329	640,112	8,882,721
2020	7,224,130	936,455	635,181	8,795,766
2021	7,883,201	838,581	269,874	8,991,656
2022	7,633,663	829,848	95,164	8,558,675
2023	7,433,574	821,115	94,704	8,349,393
2024	6,486,155	812,381	94,245	7,392,781
2025	6,478,782	803,648	93,785	7,376,215
2026	6,472,825	794,915	93,325	7,361,065
2027	6,464,833	786,182	92,865	7,343,880
2028	5,525,680	777,450	92,406	6,395,536
2029	5,210,359	768,716	-	5,979,075
2030	3,546,996	723,493	-	4,270,489
2031	3,538,920	667,988	-	4,206,908
2032	3,494,359	655,739	-	4,150,098
2033	3,214,071	643,491	-	3,857,562
2034	3,166,077	634,757	-	3,800,834
2035	3,117,194	100,979	-	3,218,173
2036	3,062,115	60,025	-	3,122,140
2037	3,010,810	59,169	-	3,069,979
2038	2,952,635	-	-	2,952,635
2039	2,897,589	-	-	2,897,589
Total	\$128,795,738	\$15,806,279	\$4,151,578	\$148,753,595

### C. Current Portion of Long Term Liabilities

The following table displays the principal portion of each debt instrument that is due within one year of the statement date of December 31, 2015:

State of Washington Trust Fund Loans	
4th / 5th Ave Corridor	533,759
Sleater Kinney Sewer Project	91,946
Subtotal State of Washington Trust Fund Loans	\$625,705
State of Washington Local Loans	
Yauger Park Project	\$55,009
LOCAL Program Energy Savings	157,285
DWRSF McAllister Wellfield Loan	284,463
DWRSF McAllister Pipeline Loan	240,582
DOE Septic Connection Assistance Loan	4,251
DOE State Avenue Stormwater Loan	5,709
Subtotal State of Washington Local Loans	\$747,299
Revenue Bonds	
2007 Waterworks	355,000
2010 Waterworks	265,000
2013 Water/Sewer Bond	710,000
Subtotal Revenue Bonds	\$1,330,000
General Obligation Bonds	
2006 Parks CIP	\$1,135,000
2009A City Hall LTGO	275,000
2009 Fire Station Construction LTGO	685,000
2010 Streets Projects LTGO	255,000
2010B HOCM LTGO	235,000
2013 WA Center, LED, and Parks LTGO	445,000
Subtotal General Obligation Bonds	\$3,030,000
Total Principal amount due within one year	\$5,733,004

## D. Changes in Long-Term Liabilities

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

	Balance 1/1/2015	Additions	Retirements	Balance 12/31/2015	Due Within One Year
<b>Governmental Activities</b>					
G.O. Bonds	\$65,145,000	\$ -	\$2,910,000	\$62,235,000	\$3,030,000
Premium	708,288	-	39,349	668,939	39,349
Total Bonds Payable	65,853,288	-	2,949,349	62,903,939	3,069,349
Special Assessment Notes	22,130	-	4,347	17,783	-
Other Loans	898,501	-	152,714	745,787	157,285
WA State Trust Fund Loans	3,375,940	-	533,759	2,842,181	533,759
Net Pension Liability - State Plans	12,822,109	9,792,583	5,995,053	16,619,639	-
Net Pension Liability - Fire Pension	670,002	790,271	419,014	1,041,259	-
OPEB payable	7,225,209	2,475,906	737,645	8,963,470	-
Compensated Absences	4,450,574	3,465,024	3,177,941	4,737,657	3,171,963
Subtotal	\$95,317,753	\$16,523,784	\$13,969,822	\$97,871,715	\$6,932,356
<b>Business - Type Activities</b>					
Enterprise Revenue Bonds	\$18,675,000	\$-	\$1,290,000	\$17,385,000	\$1,330,000
Premium	625,086	-	68,612	556,474	68,612
Discount	(27,507)	-	(2,186)	(25,321)	(2,186)
Total Bonds Payable	19,272,579	-	1,356,426	17,916,153	1,396,426
WA State Trust Fund Loans	1,287,248	-	91,946	1,195,302	91,947
LOCAL Loans	11,708,929	1,741,639	582,604	12,867,965	590,014
Net Pension Liability	4,159,414	3,189,978	1,934,386	5,415,006	-
Compensated Absences	728,158	1,018,932	901,663	845,427	829,910
Subtotal	\$37,156,328	\$5,950,549	\$4,867,025	\$38,239,853	\$2,908,297
<b>Total</b>	<b>\$132,474,081</b>	<b>\$22,474,333</b>	<b>\$18,836,847</b>	<b>\$136,111,568</b>	<b>\$9,840,653</b>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$26,596 of internal service funds compensated absences are included in the above amounts, of which \$26,527 is estimated to be used in the next year. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. It is estimated that the amount of compensated absences to be used in the next year in Governmental and Business-Type Activities is \$3,145,436 and \$829,910 respectively. The Other Post-Employment Benefits Trust Fund provides funding for the payment of the benefits related to the Other Post-Employment Benefits (OPEB), however the General Fund would be responsible for funding beyond the available resources of the OPEB Trust Fund. For further information related to OPEB see Note 17 Postemployment Benefits Other than Pension Benefit.

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

The net pension liability of the net pension liability of the fire pension plan is generally liquidated by the Fire Pension Plan Fund. For further information related to the Fire Pension Plan Fund see Note 7 B. Firemen's Pension.

## E. Arbitrage Rebate

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Olympia monitors its bond spend-down and investments to restrict earnings to a yield less than the bond issue, and therefore limits any arbitrage liability. As of December 31, 2015 the City has no arbitrage rebate liability.

## NOTE 10 - LEASES

### Operating Leases

The City leases land, building, and police radios under noncancelable operating leases. Total cost for such leases was \$99,501 for the year ended December 31, 2015. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Amount
2016	99,376
2017	99,376
2018	99,376
2019	79,400
2020 - 2024	100,000
2025 - 2029	100,000
2030 - 2034	100,000
2035 - 2039	100,000
2040 - 2044	100,000
2045 - 2049	100,000
2050 - 2052	40,000

## NOTE 11 - CONTINGENCIES AND LITIGATIONS

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

### F. Litigation

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

### G. Contingent Liabilities

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

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

### H. Pollution Remediation

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

#### 1. Parking Lot – State Avenue

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

#### 2. Percival Landing / Tank Farm

In 1989 the city acquired property that is adjacent to Percival Landing which had previously been used as a tank farm by a major oil company. As part of the Percival Landing Rehabilitation Phase 1 project, a certain amount of contamination from the acquired property was in need of remediation, on the northern site. Costs of remediation have been capitalized through the project and the project is complete. The City has spent approximately \$1,157,000 on the remediation and has not received any reimbursements. The Department of Ecology reviewed the work completed in Phase 1, and has removed the site from the Hazardous Sites List as of July 2015.

The southern portion of the site contains contaminated soil, and the City is working to complete the site investigation phase with the Department of Ecology's oversight. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the City may capitalize those costs with the development, the City has not accrued any liability on the Entity-Wide Statement of Net Position. The City is under no current obligation for immediate remediation action on the southern site.

3. Parking Lot – Columbia Street

In 2008 the City sold property to a development company for the purpose of building market rate housing in the downtown area. The site had been the former location of a service station and there was known contamination at the site. The proceeds of the sale were deposited into an escrow account and in March 2015 the escrow account was divided equally between the City and the developer in the amount of \$234,719 each. The developer has completed cleanup of the site and spent an additional \$143,256 over their portion of the escrow deposit. The City remitted a one-time payment to the developer for the additional amount, thus releasing the City from any future remediation actions.

4. West Bay

In 2005 the City acquired property on West Bay Drive from the Port of Olympia to develop a waterfront park. The site was located in an area historically subject to industrial uses, and it was known that portions of the property were contaminated. Clean-up actions on the northern portion of the site were associated with Phase 1 of the West Bay Park, and were completed in 2009. The City has spent approximately \$1,492,170 on remediation, and received approximately \$782,052 in reimbursements from a Department of Ecology grant and \$439,412 from the Port of Olympia; the unreimbursed costs have been capitalized. The City is continuing to monitor and test the northern part of the site until the Department of Ecology confirms full remediation.

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

5. Isthmus Property

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

## NOTE 12 – RESTRICTED NET POSITION

The government-wide statement of net position reports \$19,123,026 of restricted net position, of which \$10,335,812 is restricted by enabling legislation. The remaining \$8,787,214 is restricted by other legally binding contracts. Restricted net position details for the year ended December 31, 2015 are listed in the following chart:

Restricted Net Position			
	Governmental Activities	Business-Type Activities	Total
<b>NET POSITION</b>			
<b>Restricted by Enabling Legislation:</b>			
Impact Fees	\$8,495,240	\$ -	\$8,495,240
SEPA Mitigation	1,585,691	-	1,585,691
Boating Safety, Seizure and Forfeitures, Other	188,383	-	188,383
HUD Programs	66,498	-	66,498
<b>Subtotal of Restricted by Enabling Legislation</b>	<b>10,335,812</b>	<b>-</b>	<b>10,335,812</b>
<b>Restricted by Other Legal Means:</b>			
Transportation, Parking, And Parks	\$4,757,512	\$ -	\$4,757,512
Workers Comp Reserve	1,746,760	-	1,746,760
Bond/LID Reserve Fund	78,048	1,260,900	1,338,948
Lodging Tax	423,402	-	423,402
Hands on Children's Museum	222,667	-	222,667
Farmers Market	76,303	-	76,303
Washington Center	78,229	-	78,229
Prepaid Items and Habitat for Humanity Loan	74,826	-	74,826
Debt Services	58,567	-	58,567
Public Defense Improvements	10,000	-	10,000
<b>Subtotal of Restricted by Other Legal Means</b>	<b>7,526,314</b>	<b>1,260,900</b>	<b>8,787,214</b>
<b>TOTAL RESTRICTED NET POSITION</b>	<b>\$17,862,126</b>	<b>\$1,260,900</b>	<b>\$19,123,026</b>

## NOTE 13 - INTERFUND TRANSFERS

Interfund transfers at December 31, 2015 are listed below.

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

In 2015 the City transferred the fund balance of Other Post Employment Benefits (OPEB) from the General Fund to the created in 2015 OPEB Trust Fund. That transfer is listed in the chart below. There were no other significant transfers made during the year that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

TRANSFERS OUT													
Fund Types	Special Revenue Funds					Capital Project Funds		Enterprise Funds					Total Transfers In
	General Fund	H.U.D.	Impact Fee Fund	Lodging Tax Fund	Parks & Recreation Utility Tax Fund	Capital Improvement Fund	Other Governmental Funds	Drinking Water/Wastewater Funds	Waste Resources Funds	Storm & Surface Water Funds	Internal Service Funds	Trust & Agency Funds	
General Fund	\$ -	\$ -	\$ -	\$ 253,641	\$ -	\$ 1,200,000	\$ 452,070	\$ 89,802	\$ 12,500	\$ 173,549	\$ 86,000	(\$ 6,189)	\$ 2,261,373
<b>TRANSFERS IN</b>													
Special Revenue Funds													
H.U.D. Fund	100,000	-	-	-	-	-	-	-	-	-	-	-	100,000
Parks & Recreation Utility Tax Fund	-	-	-	-	-	-	300,000	-	-	-	-	-	300,000
Capital Project Funds													
Capital Improvement Fund	1,126,853	250,000	474,731	-	1,019,820	-	2,222,852	-	-	277,673	5,000	-	5,376,929
Other Governmental Funds	1,059,607	-	436,013	-	1,439,400	-	413,688	-	-	-	-	-	3,348,708
Trust & Agency Funds	1,584,357	-	-	-	-	-	-	-	-	-	-	-	1,584,357
<b>Total Transfers Out</b>	<b>\$3,870,816</b>	<b>\$250,000</b>	<b>\$910,743</b>	<b>\$253,641</b>	<b>\$2,459,220</b>	<b>\$1,200,000</b>	<b>\$3,388,611</b>	<b>\$89,802</b>	<b>\$12,500</b>	<b>\$451,222</b>	<b>\$91,000</b>	<b>(\$6,189)</b>	<b>\$12,971,365</b>

## NOTE 14 – RECEIVABLE BALANCES

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

### A. Governmental Receivables

At December 31, 2015, the receivables from other governmental units consisted of the following:

Governmental Funds			
General Fund			
Medic I reimbursement	681,184		
Thurston County Fire Districts	25,321		
Tumwater Fire Department	9,262		
FEMA-Fire Safer Grant	33,257		
WA Traffic Safety Commission	<u>3,190</u>		
		752,214	
Capital Project Funds			
WA Department of Transportation	267,139		
Transportation Improvement Board	520,886		
WA Department of Ecology	<u>18,294</u>		
		806,319	
Business-Type Funds			
Enterprise Funds			
City of Lacey	16,500		
Department of Ecology	480,880		
Thurston PUD 1	<u>5,200</u>		
		502,580	
Internal Service Funds			
DES Fleet	1,125		
WA State Department Social Health and Services	775		
WA Consolidated Mail Services	<u>1,487</u>		
		3,387	
Total Receivables			<u>\$2,064,500</u>

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

At December 31, 2015, the receivables from current and long-term notes, contracts, and loans receivable consisted of the following:

General Fund	Current	Non-Current	Total
Habitat for Humanity	\$10,900	\$3,250	\$14,150
HUD Downtown Housing	85,931	2,410,822	2,496,753
<b>Subtotal - General Fund</b>	<b>96,831</b>	<b>2,414,072</b>	<b>2,510,903</b>
Special Revenue Funds			
Deferred Loans Receivable			
HUD Block/Shelter Grant	125,346	4,854,229	4,979,575
	<u>\$222,177</u>	<u>\$7,268,301</u>	<u>\$7,490,478</u>



## NOTE 15 - JOINT VENTURES AND INTERLOCAL AGREEMENTS

### A. Joint Ventures

#### 1. Animal Protection Services

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

An equity interest exists for the cities of Lacey, Olympia and Tumwater, and Thurston County. As of December 31, 2015, the City of Olympia had a 22.81% share of the equity. Net Position as of December 31, 2015, were \$3,395,090. The City of Olympia reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position. The current equity share for the City is valued at \$774,420.

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

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

#### 2. Interlocal Drug Unit

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

#### 3. Law Enforcement Records Management System

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

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, 2015, the City of Olympia has a 42.00% share of the equity. Net Position as of December 31, 2015, was \$77,041. The City of Olympia reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position. The current equity share for the City is valued at \$32,357.

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

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

## **B. Interlocal Agreement**

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

In 2006, the City of Olympia entered into a contract with the Capital Area Regional Public Facilities District (PFD) for the acquisition, development, operation and maintenance of the Hands On Children's Museum (HOCM). The PFD imposes a sales and use tax pursuant to RCW 82.14.390 to repay any financing obtained to fund the design, construction, acquisition, operation and/or maintenance of the museum. The monies collected as sales taxes shall only be used for the purposes permitted under RCW 82.14.390 and RCW 35.57.020. In 2015, the City of Olympia received \$415,503 in sales taxes levied by the PFD and is accounted for within the HOCM Special Revenue Fund.

### **2. LOTT Alliance**

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

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

The Council was formed by an interlocal agreement with Thurston County, and the cities of Lacey, Olympia, and Tumwater. Under the interlocal agreement the County and Cities agree to contribute funding in order to address unmet areas of need in health and human services. The Council will set priorities and provide oversight to ensure better utilization of the funding available for health and human resources within Thurston County. In 2015, the City of Olympia contributed \$101,930, which is received by Thurston County Public Health and Social Services Department.

## **NOTE 16 – UTILITY RATES**

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

During 2015, basic residential garbage rates consisted of \$9.31 for one 20 gallon can service. The basic commercial rate for one 10 gallon can service was \$6.50.

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

During 2015 basic monthly single family and duplex residential rates consisted of a \$10.96 ready to serve rate.

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

Block 1 (0 - 500 cubic feet): ..... \$1.62 per 100 cubic feet of water consumed.

Block 2 (501 - 1000 cubic feet): ..... \$2.67 per 100 cubic feet of water consumed.

Block 3 (1001 - 1500 cubic feet): ..... \$4.25 per 100 cubic feet of water consumed.

Block 4 (1501+ cubic feet): ..... \$5.59 per 100 cubic feet of water consumed.

The Water General Facility Charge (GFC) was \$3,687. The GFC is charged for a new hook-up to the system.

### **C. Wastewater:**

During 2015 the local collection charge was billed \$19.67 per ERU. The Sewer General Facility Charge (GFC) was billed \$3,342 per ERU.

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

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

During 2015, the rate for single family residences and duplexes was \$11.79 and \$23.58 per month respectively. Accounts other than single family and duplex are charged an \$11.54 administrative fee plus \$4.34, \$9.06, and \$11.43 per billing unit of impervious surface based on the date of development.

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

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

#### Plan Description:

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

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

#### Membership

A total of 71 retirees are eligible for benefits under this act. As of December 31, 2015, there were 2 active police officers and fire fighters who may become eligible for these benefits when they retire. This is considered a closed group with no new eligible members.

#### Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements. The City established the Other Post Employment Benefits Trust Fund in 2015, which accounts for the contributions and payments related to OPEB. The City may choose to fund above the pay-as-you-go financing as resources are available.

Post employment health care benefits are paid on a pay-as-you-go basis. Expenses related to the participating retirees are remitted out the OPEB Trust Fund and totaled \$737,904.

#### Annual OPEB Costs and Net OPEB Obligations

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

Schedule of Annual OPEB Cost and Net OPEB Obligation			
	Fiscal Year Ending		
	12/31/2015	12/31/2015	
	Police	Fire	
ANNUAL REQUIRED CONTRIBUTIONS (ARC)			
1. Annual Normal Cost (BOY)	\$ 30,961	\$ 37,700	
2. Amortization of UAAL (BOY)	1,484,039	1,197,570	
3. Interest to EOY [(1)+(2)]*(i)*	56,813	46,323	
4. ARC at EOY [(1)+(2)+(3)]	\$ 1,571,813	\$ 1,281,593	
5. Interest on NOPEBO	\$103,016	\$167,929	
6. Adjustment to ARC	246,545	401,900	
7. Annual OPEB cost [(APC)] [(4)+(5)-(6)]	\$ 1,428,284	\$ 1,047,622	
8. Employer Contributions	405,383	332,262	
9. Change in NOPEBO [(7)-(8)]	1,022,901	715,360	
10. NOPEBO at BOY [(11) prior year]	\$ 2,747,094	\$ 4,478,115	
11. NOPEBO at EOY [(9)+(10)]	\$ 3,769,995	\$ 5,193,475	

\* "i" is the assumed interest rate that year: 3.75% in 2015

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

Law Enforcement and Firemen's Other Postemployment Benefits other than Pension Schedule of Percentage of Annual OPEB Cost Contributed				
	Fiscal Year Ending	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	Net OPEB Obligation
Police	December 31, 2013	\$ 1,467,817	41%	\$ 1,802,505
	December 31, 2014	1,485,867	36	2,747,094
	December 31, 2015	1,428,284	28	3,769,995
Fire	December 31, 2013	\$ 1,264,056	40%	\$ 3,839,312
	December 31, 2014	1,098,528	42	4,478,115
	December 31, 2015	1,047,622	32	5,193,475

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

Law Enforcement and Firemen's Other Postemployment Benefits Other Than Pension Schedule of OPEB Funding Progress (rounded to thousands)							
	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police *	January 1, 2012	\$ -	\$17,573	\$17,573	- %	N/A	N/A %
	January 1, 2014	-	17,423	17,423	-	N/A	N/A
Fire	January 1, 2010	\$ -	\$15,055	\$15,055	- %	N/A	N/A %
	January 1, 2012	-	16,502	16,502	-	N/A	N/A
	January 1, 2014	-	14,059	14,059	-	N/A	N/A

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

#### Actuarial Procedures and Assumptions

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

Actuarial Valuation Information	
Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	
Police:	17-year, closed as of January 1, 2012
Fire:	21-year, closed as of January 1, 2008
Remaining Amortization Period:	15 Years
Actuarial Assumptions	
Investment Rate of Return:	3.75 %
Medical Trend:	
2014-2015	7.0%
2015-2016	6.0%
2016-2017	6.2%
2017-2018	5.8%
2018-2019	5.9%
2019-2025	5.8%
2025-2031	5.7%
2025-2031	5.6%
Dental Trend	Minimum of 5.5% and Medical Inflation
Long-Term Care Inflation Rate:	4.75%
General Inflation Rate:	2.50%

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

Schedule of Annual Development of OPEB Cost												
	Fiscal Year Ending	ARC at EOY	Interest on Net OPEB Obligation	ARC Adjustment	Annual OPEB Cost	Total Employer Contributions	Change in Net OPEB Obligation	Net OPEB Obligation Balance	(Gain)/ Loss	Amort. Factor*	Amort. of (Gain)/ Loss	Ending Balance
		(1)	(2)=[prior yr (7)] x int rate	(3)= [prior yr (7)]/ (9)	(4)= (1)+(2)-(3)	(5)	(6)=(4)-(5)	(7)=(6)+ [prior yr (7)]	(8)=(1)-(5)	(9)	(10)= [prior yr (11)] / (9)	(11)=(7)
Police**	12/31/2012	\$1,507,500	\$0	\$0	\$1,507,500	\$574,204	\$933,296	\$933,296	\$933,296	12.6523	\$0	\$933,296
	12/31/2013	1,507,500	37,332	77,015	1,467,817	598,608	869,209	1,802,505	908,892	12.1184	77,015	1,802,505
	12/31/2014	1,571,813	67,594	153,540	1,485,867	541,278	944,589	2,747,094	1,030,535	11.7396	153,540	2,747,094
	12/31/2015	1,571,813	103,016	246,545	1,428,284	405,383	1,022,901	3,769,995	1,166,430	11.1424	246,545	3,769,995
Fire	12/31/2012	\$1,395,073	\$91,909	\$181,605	\$1,305,377	\$521,725	\$783,652	\$3,081,367	\$873,348	12.6523	\$181,605	\$3,081,367
	12/31/2013	1,395,073	123,255	254,272	1,264,056	506,111	757,945	3,829,312	888,962	12.1184	254,272	3,839,312
	12/31/2014	1,281,593	143,974	327,039	1,098,528	459,725	638,803	4,478,115	821,868	11.7396	327,039	4,478,115
	12/31/2015	1,281,593	167,929	401,900	1,047,622	332,262	715,360	5,193,475	494,331	11.1424	401,900	5,193,475

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

## B. AWC Benefits Trust

### 1. Trust Description

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

### 2. Funding Policy

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

Type of Coverage	Monthly Retiree Cost
<b>Regence &amp; Asuris HealthFirst 1000</b>	
Retiree only - Non-Medicare Coverage	\$871.51
Retiree & Spouse - Non-Medicare Coverage	\$1,750.63
Retiree with Medicare Coverage & Spouse without	\$335.33
Retiree & Spouse - with Medicare Coverage	\$670.66
<b>Group Heath</b>	
Retiree only - Non-Medicare Coverage	\$1,112.71
Retiree & Spouse - Non-Medicare Coverage	\$2,192.99
Retiree with Medicare Coverage & Spouse without	\$1,477.88
Retiree & Spouse - with Medicare Coverage	\$795.20
<b>Delta Dental of Washington</b>	
Retiree only	\$61.54
Retiree & Spouse	\$125.42
Retiree & Child(ren)	\$124.57
Retiree & Spouse & Child(ren)	\$187.11
<b>Willamette Dental Services</b>	
Retiree only	\$56.10
Retiree & Spouse	\$114.21
Retiree & Child(ren)	\$113.57
Retiree & Spouse & Child(ren)	\$170.70

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

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

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

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

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

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

### **A. Adoption of the new GASB Statement 68, Accounting and Financial Reporting for Pensions and GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date:**

Issued in 2012, the objective of this Statement is to improve accounting and financial reporting for pensions. This Statement establishes standards for measuring and recognizing pension related liabilities, deferred outflows/inflows of resources, and expense/expenditures of employers. This Statement was implemented by the City of Olympia's for the state sponsored pension plans and the City's Firemens' pension plan in the reporting year of 2015. The financial statements of the City were impacted by the implementation of the standard. Detailed notes related to the net pension liability, net pension asset, deferred outflows, deferred inflows, and pension expense can be seen in Note 7 Pension Plans. The implementation also resulted in a direct adjustment to net position related to a change in accounting principle for expenses prior to 2015. This adjustment can be seen in the Statement of Activities.

### **B. Prior Period Adjustment - Capital Assets:**

As discussed in Note 6 Capital Assets, Depreciation and Amortization; the City through a Land asset review discovered 15 Land parcels that were not in the fixed asset system. These parcels were acquired via donations, plats, and purchases between 1996 and 2013. Governmental Assets increased by \$468,897 and Business-Type Assets increased by \$789,352 as a result of the review.

### **C. Closed Fund:**

During the fiscal year 2015 the following Fund was closed:

Special Revenue Fund  
CDBG Repayment Fund 108 was closed.

### **D. New Funds:**

During the fiscal year 2015 the following Funds were opened:

Fiduciary Fund  
Other Post Employment Benefit Trust Fund 614 was created.

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

### Governmental Activities

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

<b>Total Capital Assets - Governmental-Type Activities</b>				<b>\$248,730,656</b>
<b>Governmental Funds</b>				
<b>Total Governmental Funds Capital Assets</b>				<b>\$242,820,936</b>
<b>GO BONDS</b>	<b>Par Value</b>	<b>Outstanding 12/31/15</b>	<b>Proceeds Spent thru 12/31/15</b>	<b>Net Outstanding</b>
2009 City Hall Bonds	\$ 35,210,000	\$ 33,975,000	\$ 35,210,000	\$ 33,975,000
2009 Fire Station Bonds	16,180,000	12,535,000	16,180,000	12,535,000
2010 HOCM Bonds	5,670,000	4,725,000	5,670,000	4,725,000
2010 Transportation Bonds	5,865,000	4,580,000	5,865,000	4,580,000
2013 Washington Center, LED, and Parks Bond	6,345,000	5,285,000	6,345,000	5,285,000
2006 Parks	9,385,000	1,135,000	9,385,000	1,135,000
Total GO Bonds	78,655,000	62,235,000	78,655,000	62,235,000
<b>PWTFL LOANS</b>				
4th / 5th Ave. Corridor	6,721,144	1,801,886	6,721,144	1,801,886
4th / 5th Ave. Corridor	3,275,000	1,040,295	3,275,000	1,040,295
Total PWTFL Loans	9,996,144	2,842,181	9,996,144	2,842,181
<b>OTHER LOANS</b>				
State Of WA LOCAL Program Loan	1,534,496	745,787	1,466,250	745,787
Total Other Loans	1,534,496	745,787	1,466,250	745,787
<b>LID NOTES</b>				
LID #762 - Woodland Park Water	167,998	17,783	167,998	17,783
Total Other Loans	167,998	17,783	167,998	17,783
Total - Governmental Funds Debt	\$ 90,353,638	\$ 65,840,751	\$ 90,285,392	\$ 65,840,751
Capital Assets Net of Related Debt - Governmental Funds				\$ 176,980,185
Internal Service Funds				
Total Internal Service Capital Assets				\$ 5,909,720
Internal Service Capital Assets Net of Related Debt				\$ 5,909,720
<b>Total Governmental Activities Capital Assets - Net of Related Debt</b>				<b>\$ 182,889,905</b>

# Business-Type Activities

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

Total Capital Assets - Business-Type Activities				\$ 124,749,490
	Par Value	Outstanding 12/31/15	Proceeds Spent thru 12/31/15	Net Outstanding
<b>Drinking Water/Wastewater Utility</b>				
Capital Assets - Drinking Water				\$100,145,102
<b>ENTERPRISE REVENUE BONDS</b>				
2007 Waterworks	8,000,000	5,690,000	8,000,000	5,690,000
2010 Waterworks	6,485,000	5,260,000	6,485,000	5,260,000
2013 Waterworks	8,443,094	6,435,000	8,443,094	6,435,000
Total Enterprise Revenue Bonds	22,928,094	17,385,000	22,928,094	17,385,000
<b>PWTFL LOANS</b>				
Sleater-Kinney Sewer	1,808,375	1,195,302	1,724,045	1,195,302
Total PWTFL Loans	1,808,375	1,195,302	1,724,045	1,195,302
<b>OTHER LOANS</b>				
Department of Ecology - Septic Assistance	250,000	90,136	97,853	90,136
DWSRF McAllister Wellfield Development	6,060,000	5,404,804	5,462,232	5,404,804
DWSRF McAllister Wellfield Transmission Pipe	4,811,640	4,571,057	4,678,985	4,571,057
DWSRF SE Olympia Reservoir Loan	11,983,650	1,200,440	1,200,440	1,200,440
Total OTHER Loans	23,105,290	11,266,437	11,439,510	11,266,437
Total - Drinking Water/Wastewater Utility Debt	47,841,759	29,846,739		29,846,739
Drinking Water Capital Assets Net of Related Debt				\$ 70,298,363
<b>Storm and Surface Water Utility</b>				
Capital Assets - Storm and Surface Water				\$ 24,523,360
<b>PWTFL LOANS</b>				
State Of WA Public Works Board	1,214,018	982,042	1,214,018	982,042
Total PWTFL Loans	1,214,018	982,042	1,214,018	982,042
<b>OTHER LOANS</b>				
Department of Ecology - State Ave. Stormwater Retrofit	619,485	619,485	619,485	619,485
Total PWTFL Loans	619,485	619,485	619,485	619,485
Total - Storm and Surface Water Utility Debt	1,833,503	1,601,527		1,601,527
Storm and Surface Water Capital Assets Net of Related Debt				\$ 22,921,833
<b>Waste Resources Utility</b>				
Capital Assets - Waste ReSources				81,028
Waste ReSources Capital Assets Net of Related Debt				81,028
<b>Total for All Utilities</b>	<b>\$ 49,675,262</b>	<b>\$ 31,448,266</b>		<b>\$ 31,448,266</b>
<b>Capital Assets Net of Related Debt</b>				<b>\$ 93,301,224</b>



**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund  
For Year Ended December 31, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$43,612,788	\$43,946,240	\$45,373,725	\$1,427,485
Licenses and Permits	3,277,634	3,565,395	3,968,148	402,753
Intergovernmental Revenues	1,844,647	1,888,137	2,601,029	712,892
Charges for Services	13,407,645	13,712,895	13,792,536	79,641
Fines and Forfeits	1,084,500	1,084,500	978,691	(105,809)
Miscellaneous Revenues	2,326,808	2,365,988	2,806,121	440,133
Total Revenues	65,554,022	66,563,155	69,520,250	2,957,095
EXPENDITURES				
Current:				
General Government Services	24,055,576	26,829,350	22,138,063	(4,691,287)
Security of Persons & Property	30,843,071	32,158,096	32,408,827	250,731
Transportation	4,049,760	4,115,457	3,898,163	(217,294)
Economic Environment	3,219,920	4,121,364	3,471,249	(650,115)
Mental and Physical Health	91,568	158,568	111,854	(46,714)
Culture and Recreation	4,935,948	5,437,402	5,020,700	(416,702)
Capital Outlays	677,480	2,326,758	596,696	(1,730,062)
Total Expenditures	67,873,323	75,146,995	67,645,552	(7,501,443)
Excess (Deficiency) of Revenues over Expenditures	(2,319,301)	(8,583,840)	1,874,698	10,458,538
OTHER FINANCING SOURCES (USES)				
Transfers - In	2,102,891	5,934,012	2,261,372	(3,672,640)
Transfers - Out	(1,158,245)	(7,330,223)	(3,870,816)	3,459,407
Other Non-expenditure	-	-	(1,970)	(1,970)
Sale of Capital Assets	15,000	15,000	43,100	28,100
Total Other Financing Sources (Uses)	959,646	(1,381,211)	(1,568,314)	(187,103)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(1,359,655)	(9,965,051)	306,384	10,271,435
FUND BALANCE JANUARY 1	17,216,346	17,216,346	17,216,346	-
FUND BALANCE DECEMBER 31	\$15,856,691	\$7,251,295	\$17,522,730	\$10,271,435

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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

## Multiple Employer Plan

The Required Supplementary Information related to the Multiple Employer Plans provides detailed disclosures related to GASB Statement 68. During the reporting year of 2015, the City of Olympia's Statement of Net Position reported the required Pension information as a result of GASB Statement 68. The following charts reflect these statements.

As of June 30, 2015, the Plan's fiscal year end, the City of Olympia reported the following Proportionate Share of the Net Pension Liability/(Asset):

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

For Year Ended June 30, 2015\*

	2015
City of Olympia's proportion of the net pension liability/(asset)	0.231015%
City of Olympia's proportionate share of the net pension liability/(asset)	\$ 12,084,233
City of Olympia's covered employee payroll	\$ 489,803
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	2,467.16%
Plan fiduciary net position as a percentage of the total pension liability	59.10%

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

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

For Year Ended June 30, 2015\*

	2015
City of Olympia's proportion of the net pension liability/(asset)	0.276999%
City of Olympia's proportionate share of the net pension liability/(asset)	\$ 9,897,332
City of Olympia's covered employee payroll	\$ 24,635,972
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	40.17%
Plan fiduciary net position as a percentage of the total pension liability	89.20%

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

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

For Year Ended June 30, 2015\*

	2015
City of Olympia's proportion of the net pension liability/(asset)	0.290827%
City of Olympia's proportionate share of the net pension liability/(asset)	\$ 53,082
City of Olympia's covered employee payroll	\$ 855,548
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	6.20%
Plan fiduciary net position as a percentage of the total pension liability	95.08%

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

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

For Year Ended June 30, 2015\*

	2015
City of Olympia's proportion of the net pension liability/(asset)	0.135558%
City of Olympia's proportionate share of the net pension liability/(asset)	(\$ 1,633,773)
City of Olympia's covered employee payroll	\$ 264,735
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	-617.14%
Plan fiduciary net position as a percentage of the total pension liability	127.36%

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

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

For Year Ended June 30, 2015\*

	2015
City of Olympia's proportion of the net pension liability/(asset)	0.563046%
City of Olympia's proportionate share of the net pension liability/(asset)	(\$ 5,786,987)
State's proportionate share of the net pension liability/(asset) associated with the City of Olympia	(\$ 3,826,358)
<b>TOTAL</b>	<b>(\$ 9,613,345)</b>
City of Olympia's covered employee payroll	\$ 16,350,490
City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	-58.80%
Plan fiduciary net position as a percentage of the total pension liability	111.67%

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

As of December 31, 2015, the City's fiscal year end, the City of Olympia reported the following Contributions to the plans:

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

As of December 31, 2015\*

	2015
Statutorily or contractually required contributions	\$ 49,878
Contributions in relation to the statutorily or contractually required contributions	\$ 48,021
Contribution deficiency (excess)	\$ 1,857
Covered employer payroll	\$ 489,410
Contributions as a percentage of covered employee payroll	9.81%

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

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

As of December 31, 2015\*

	2015
Statutorily or contractually required contributions	\$ 99,010
Contributions in relation to the statutorily or contractually required contributions	\$ 99,009
Contribution deficiency (excess)	\$ 1
Covered employer payroll	\$ 896,384
Contributions as a percentage of covered employee payroll	11.05%

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

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

As of December 31, 2015\*

	2015
Statutorily or contractually required contributions	\$ 868,340
Contributions in relation to the statutorily or contractually required contributions	\$ 868,339
Contribution deficiency (excess)	\$ 1
Covered employer payroll	\$ 16,603,052
Contributions as a percentage of covered employee payroll	5.23%

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

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

As of December 31, 2015\*

	2015
Statutorily or contractually required contributions	\$ 2,587,281
Contributions in relation to the statutorily or contractually required contributions	\$ 2,587,157
Contribution deficiency (excess)	\$ 124
Covered employer payroll	\$ 25,358,818
Contributions as a percentage of covered employee payroll	10.20%

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

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

As of December 31, 2015\*

	2015
Statutorily or contractually required contributions	\$ 484
Contributions in relation to the statutorily or contractually required contributions	\$ 484
Contribution deficiency (excess)	\$ 0
Covered employer payroll	\$ 268,648
Contributions as a percentage of covered employee payroll	0.18%

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

## Firemens' Pension Plan

The Required Supplementary Information related to the Firemens' Pension Fund Plan provides detailed disclosures related to GASB Statements 67 and 68. During the reporting year of 2015, the City of Olympia's Statement of Net Position reported the required Net Pension Liability as a result of GASB 67 and 68. The following charts reflect these statements.

As of January 1, 2014, the most recent actuarial evaluation date, the changes in net pension liability and related ratios was as follows:

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

### Notes to Schedule:

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

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

As of January 1, 2014, the most recent actuarial evaluation date, the employer contributions to the actuarially determined contributions was as follows:

Firemens' Pension Plan - Schedule of Contributions Last 10 Fiscal Years					
Fiscal Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2006	\$ 265,606	\$ 435,769	(\$ 170,163)	\$ -	N/A
2007	265,606	494,790	(229,184)	-	N/A
2008	246,881	496,028	(249,147)	-	N/A
2009	246,881	507,153	(260,272)	-	N/A
2010	203,183	535,665	(332,482)	-	N/A
2011	203,183	304,163	(100,980)	-	N/A
2012	119,273	591,221	(471,948)	-	N/A
2013	119,273	666,742	(547,469)	-	N/A
2014	475,000	707,924	(232,924)	-	N/A
2015	119,000	244,818	(125,818)	-	N/A

**Notes to Schedule:**

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

*Actuarially determined contribution.* GASB Statement 67 provides guidance for a schedule of an actuarially determined contribution. For this report, the actuarially determined contribution is equal to the reported ARC for all years prior to 2014. The actuarially determined contribution is equal to the budgeted contribution developed in the January 1, 2014 actuarial valuation report dated August 8, 2014.

Actuarial Valuation Information:	
Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	30-year, closed as of January 1, 1999
Remaining Amortization Period:	15 Years
Asset Valuation Method:	Fair market value

Actuarial Assumptions	
Investment Rate of Return:	3.75%
Projected Salary Increases:	3.50%
Inflation:	2.50%
Age of Retirement:	65
Cost-of-living Adjustments:	Based upon salary increase assumption when appropriate.
Long-Term Expected Rate of Return	3.50%
Discount Rate	3.50%
Mortality	RP-2000 Mortality Table, projected to 2019 using 50% of Projection Scale AA, adjusted one year back and forward for males and females respectively.

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

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

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

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

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Police *	January 1, 2012	\$ -	\$17,573	\$17,573	- %	N/A	N/A %
	January 1, 2014	-	17,423	17,423	-	N/A	N/A
Fire	January 1, 2010	\$ -	\$15,055	\$15,055	- %	N/A	N/A %
	January 1, 2012	-	16,502	16,502	-	N/A	N/A
	January 1, 2014	-	14,059	14,059	-	N/A	N/A

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

As of January 1, 2014, the most recent actuarial valuation date, the employer contributions for each plan was as follows:

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

	Fiscal Year Ending	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	Net OPEB Obligation
Police	December 31, 2013	\$ 1,467,817	41%	\$ 1,802,505
	December 31, 2014	1,485,867	36	2,747,094
	December 31, 2015	1,428,284	28	3,769,995
Fire	December 31, 2013	\$ 1,264,056	40%	\$ 3,839,312
	December 31, 2014	1,098,528	42	4,478,115
	December 31, 2015	1,047,622	32	5,193,475

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

#### Actuarial Valuation Information

Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	
Police:	17-year, closed as of January 1, 2012
Fire:	21-year, closed as of January 1, 2008
Remaining Amortization Period:	15 Years

#### Actuarial Assumptions

Investment Rate of Return:	3.75 %
Medical Trend:	
2014-2015	7.0%
2015-2016	6.0%
2016-2017	6.2%
2017-2018	5.8%
2018-2019	5.9%
2019-2025	5.8%
2025-2031	5.7%
2025-2031	5.6%
Dental Trend	Minimum of 5.5% and Medical Inflation
Long-Term Care Inflation Rate:	4.75%
General Inflation Rate:	2.50%

## Washington State Auditor's Office

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The accompanying notes are an integral part of this schedule.

Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA7540/STPUS-9934(017) (1164)	25,183	-	25,183	-	1, 2, 6
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	LA8127/CM0920(008) (1304)	9,845	-	9,845	-	1, 2, 6
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-5282(005)/LA8667 (1547)	5,850	-	5,850	-	1, 2, 6
<b>Total Highway Planning and Construction Cluster:</b>				<b>1,037,593</b>	-	<b>1,037,593</b>	-	
<b>Highway Safety Cluster</b>								
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	Target Zero 14/15	9,192	-	9,192	-	1, 2, 6
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via Thurston County Prosecuting Attorney's Office)	State and Community Highway Safety	20.600	Target Zero 14/15	3,138	-	3,138	-	1, 2, 6
National Highway Traffic Safety Administration (nhisa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	Target Zero 15/16	4,135	-	4,135	-	1, 2, 6
<b>Total Highway Safety Cluster:</b>				<b>16,465</b>	-	<b>16,465</b>	-	
Region 10, Environmental Protection Agency (via WA State Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1400449 (1408M)	141,553	-	141,553	-	1, 2, 6
<b>Clean Water State Revolving Fund Cluster</b>								
Office Of Water, Environmental Protection Agency (via WA State Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1400028 (1268O)	325,620	-	325,620	-	1, 2, 5, 6
<b>Total Clean Water State Revolving Fund Cluster:</b>				<b>325,620</b>	-	<b>325,620</b>	-	
<b>Drinking Water State Revolving Fund Cluster</b>								
Office Of Water, Environmental Protection Agency (via WA State Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-188 (1240)	277,166	-	277,166	-	1, 2, 5, 6
Office Of Water, Environmental Protection Agency (via WA State Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DN10-952-017 (CW57)	116,652	-	116,652	-	1, 2, 5, 6
<b>Total Drinking Water State Revolving Fund Cluster:</b>				<b>393,817</b>	-	<b>393,817</b>	-	
Department Of Homeland Security (via Thurston County Emergency Management)	Homeland Security Grant Program	97.067	E14-145	3,384	-	3,384	-	1, 2, 6
Department Of Homeland Security (via Thurston County Emergency Management)	Homeland Security Grant Program	97.067	E14-145	1,500	-	1,500	-	1, 2, 6
<b>Total CFDA 97.067:</b>				<b>4,884</b>	-	<b>4,884</b>	-	
Department Of Homeland Security	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012FH-00203	-	188,498	188,498	-	1, 2, 6
<b>Total Federal Awards Expended:</b>				<b>1,949,468</b>	<b>452,966</b>	<b>2,402,435</b>	-	



CITY OF OLYMPIA, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015**

**NOTE 1 - BASIS OF ACCOUNTING**

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

**NOTE 2 - PROGRAM COSTS**

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

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

Prior to 2014, the City utilized a revolving loan style program for low income housing renovation, of which CDBG Grant Program Income was utilized for funding of the new loans. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. Beginning the second quarter of 2014, the City no longer offered these loans resulting in a change of program income and use reporting. In 2015 the City received \$456,913 in program income and related expenditures of program income on HUD authorized projects of \$446,956. The City has been on the deductive method of reporting, therefore there is not a reportable amount for the schedule. During the 2015 the City expended CDBG Entitlement Grant Funds in the amount of \$26,852, which is reported on this schedule.

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

The City of Olympia was approved by the U.S. Department of H.U.D. to receive a loan in the amount of \$325,000 for Downtown Safety Improvement Projects. The amount, \$213,888, listed in this schedule is for the expenditures of the reporting year.

**NOTE 5 – FEDERAL LOANS**

The City of Olympia was approved by the Federal EPA and the Washington State PWB to receive two loans totaling \$10,871,640 to improve its drinking water system with the development of the McAllister Well and Transmission Lines. The amount, \$116,652, listed in this schedule are for the expenditures of the reporting year.

The City of Olympia was approved by the Federal EPA and the Washington State PWB to receive a loan totaling \$11,983,650 for the construction of a water reservoir for the drinking water system. The amount, \$277,166, listed in this schedule is for the expenditures of the reporting year.

The City of Olympia was approved by the Federal EPA and the Washington State Department of Ecology to receive a loan totaling \$619,485 for a retrofit of the stormwater system under State Avenue. The amount, \$325,620, listed in this schedule is for the expenditures of the reporting year.

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

**NOTE 6 – Indirect Cost Rate**

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

## 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.

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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.

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