



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

**Financial Statements Audit Report**  
**City of Bonney Lake**

**For the period January 1, 2017 through December 31, 2017**

**Published January 17, 2019**

**Report No. 1023094**





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

January 17, 2019

Mayor and City Council  
City of Bonney Lake  
Bonney Lake, Washington

**Report on Financial Statements**

Please find attached our report on the City of Bonney Lake's financial statements.

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

Sincerely,

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

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Schedule of Audit Findings and Responses.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	7
Independent Auditor's Report on Financial Statements.....	10
Financial Section.....	13
About the State Auditor's Office.....	85

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Bonney Lake January 1, 2017 through December 31, 2017

#### **2017-001    The City's internal controls over financial statements preparation were inadequate to ensure accurate financial reporting.**

##### ***Background***

The City Council, state and federal agencies and the public rely on the information included in the financial statements and reports to make decisions. City management is responsible for designing, implementing and maintaining internal controls to ensure financial statements are fairly presented and to provide reasonable assurance regarding the reliability of financial reporting. The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP) as prescribed by the *Budgeting, Accounting and Reporting System* (BARS) manual.

Our audit identified deficiencies in the City's internal controls over financial reporting that hindered the City's ability to produce reliable financial statements.

*Government Auditing Standards* requires the auditor to communicate material weakness in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* prescribes reporting of fund balance as restricted, committed, assigned or unassigned based on based on the relative strength of the constraints that control how specific amounts can be spent.

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

During the current audit, we identified the following deficiencies in internal controls that, when taken together, represent a material weakness:

- Staff responsible for preparing the financial statements lacked the technical knowledge of fund reporting requirements prescribed by GASB 54.
- Although the City had a process for reviewing the prepared financial statements, notes and required schedules, the review was not effective to detect and correct errors before the documents were submitted for audit.

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

The City did not dedicate sufficient resources to ensure the financial statements were free of material errors and presented in accordance with GAAP.

The City's review process was not effective to ensure that the statements, notes to financial statements and required schedules complied with reporting standards. This resulted in material misclassifications in the fund balance for multiple opinion units that the City subsequently corrected.

### ***Effect of Condition***

Inaccurate financial reports limit access to financial information used by the City officials, the public, state and federal agencies, and other interested parties. They also hinder the audit process and increase audit costs.

We identified the following material classification errors:

- ***Street Construction fund:*** Assigned balance of \$4,488,958 should be reported as restricted.
- ***Parks Construction fund:*** Assigned fund balance of \$4,040,234, of which the portion related to zoning and subdivision service revenue for the amount of \$58,000 should be classified as committed and the remaining balance of \$3,982,234 should be classified as restricted.
- ***General Construction fund:*** Assigned fund balance of \$473,916, of which the amount of \$301,500 related to REET funding should be reported as restricted and the remainder of the balance as committed.
- ***Public Works Center Construction fund:*** The portion of the \$23,477,630 fund balance related to the bond issuance or transfers from the restricted utility funds and the interest earned from restricted revenue for the amount of \$22,481,440 should be reported as restricted. The remaining balance of \$996,190 should be reported as committed.

In addition, our audit identified multiple classification, presentation and disclosure errors on the City's financial statements, notes and supplementary schedules.

### ***Recommendations***

We recommend the City:

- Establish and follow effective internal controls over financial reporting to ensure reporting of fund balance in accordance with GASB 54.

- Ensure staff responsible for preparing financial statements have the necessary training to prepare accurate and complete financial statements in accordance generally accepted accounting principles.
- Conduct an effective, independent financial statement review that ensures the statements and footnotes are prepared in accordance with all GASB standards and GAAP.

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

*The City takes financial reporting seriously and is committed to accurate reporting. The City is working on policy and procedures to ensure that financials are properly prepared and reviewed. Staff is also reviewing GASB standards. The City appreciates the State Auditor's Office in bringing this to our attention.*

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

We appreciate the timely actions taken by City staff during the audit to improve reporting accuracy. City staff were very helpful during the audit process. We will review these changes during our next audit.

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

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

The *Budgeting, Accounting, and Reporting System (BARS)* manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

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**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 Bonney Lake  
January 1, 2017 through December 31, 2017**

Mayor and City Council  
City of Bonney Lake  
Bonney Lake, 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 Bonney Lake, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 10, 2019.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2017-001 to be a material weakness.

## 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*.

## CITY'S RESPONSE TO FINDINGS

The City's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

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



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

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

Pat McCarthy

State Auditor

Olympia, WA

January 10, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Bonney Lake January 1, 2017 through December 31, 2017

Mayor and City Council  
City of Bonney Lake  
Bonney Lake, 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 Bonney Lake, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 13.

#### 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 Bonney Lake, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 13 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.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019 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 black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

January 10, 2019

## **FINANCIAL SECTION**

### **City of Bonney Lake January 1, 2017 through December 31, 2017**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2017

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet- Governmental Funds – 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2017

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities – 2017

Statement of Net Position – Proprietary Funds – 2017

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2017

Statement of Cash Flows – Proprietary Funds – 2017

Notes to Financial Statements – 2017

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2017

Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2017

Schedule of Proportionate Share of Net Pension Liability – LEOFF 1 – 2017

Schedule of Proportionate Share of Net Pension Liability – LEOFF 2 – 2017

Schedule of Proportionate Share of Net Pension Liability – PSERS 2 – 2017

Schedule of Employer Contributions – PERS 1 – 2017

Schedule of Employer Contributions – PERS 2/3 – 2017

Schedule of Employer Contributions – LEOFF 2 – 2017

Schedule of Employer Contributions – PSERS 2 – 2017

General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances –  
Budget (GAAP Basis) and Actual – 2017

Schedule of Funding Progress and Schedule of Employer Contributions – LEOFF 1  
Retiree Medical Benefits – 2017

**City of Bonney Lake**  
**Management's Discussion and Analysis (MD&A)**  
**For the Year Ending December 31, 2017**

As management of the City of Bonney Lake (the City), we offer this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

***Financial Highlights***

- As of December 31, 2017 total assets of the City exceeded its liabilities by \$153.3 million. Of this amount, \$49.3 million was reported as unrestricted net position, amounts which are available for use to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$5.4 million.
- Capital assets decreased approximately \$445,961., largely due to the sale of land & the disposal of obsolete equipment as well as decreased depreciation costs.
- The City's governmental funds reported combined ending fund balances of \$41.2 million.
- The General Fund reported an unassigned fund balance of \$1.7 million.

***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements for fiscal 2017, which have been prepared pursuant to Generally Accepted Accounting Principles (GAAP). Throughout this document we have included several spreadsheets that compare financial data for fiscal 2016 to fiscal 2017 in order to provide perspective for financial statement readers. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report also contains other required supplementary information (RSI) in addition to the basic financial statements.

***Government-wide Financial Statements***

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

The *statement of net position* presents information on all of the City's assets and liabilities, as well as deferred inflows & outflows with the difference between the two reported as *net position*. Deferred outflows of resources represent a consumption of net position (expenditures/expense) that applies to a future period and thus is shown on the Statement of Net Position until the period that it becomes and expenditure/expense. Deferred outflows of resources presented in this manner on the accompanying financial statements are related to the loss on refunded debt. Deferred inflows of resources represent an acquisition of net position (revenue) that applies to a future period and thus is shown on the Balance Sheet/Statement of Net Position until the period that it becomes revenue.

The government also has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category on the Balance Sheet. The governmental funds report unavailable revenues from three sources: accounts receivable, property taxes, and any special

assessments. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and the Statement of Activities differentiate the functions of general government from the functions of business-type activities. Governmental activities reflect the City's basic functions such as general government, public safety, transportation and streets, economic development, and culture and health & human services are primarily supported by taxes and intergovernmental revenues. Business-type activities, primarily utilities, are intended to recover their costs through user fees and charges. The City's utilities include the water distribution system, the sewer collection and treatment system and the storm water collection system.

The City has no separately identified component units and, accordingly, none are included in these financial statements.

### ***Fund Financial Statements***

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

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Construction Fund, the Public Works Center Construction Fund, Park Construction Fund and the General Government Fund which are all considered to

be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The City adopts a biennial appropriated budget for all of its funds.

### ***Proprietary funds***

The City maintains two different types of proprietary funds. Enterprise funds & internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Stormwater Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles for all funds and departments. Because this services predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Stormwater Funds. Conversely, the internal service fund is presented in the proprietary fund financial statements. Individual fund data for the internal service fund is also provided in the form of *combining statements* elsewhere in this report.

### ***Notes to the financial statements***

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

### ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* concerning the City's financial results. Combining and individual fund statements and schedules for the non-major governmental funds and the internal service funds can be found under this section.

### ***The City as a Whole***

The table below summarizes the City's Statement of Net Position for the year ending 2017.

	Governmental Activities		Business-type Activities		Total		
	2016	2017	2016	2017	2016	2017	% Change
ASSETS							
Current and other assets	40,030,111	47,936,028	22,189,734	20,739,156	62,219,845	68,675,184	-9.40%
Capital Assets net of Depreciation	53,024,017	54,784,232	87,191,761	84,984,949	140,215,778	139,769,181	0.32%
TOTAL ASSETS	93,054,128	102,720,260	109,381,495	105,724,105	202,435,623	208,444,365	-2.88%
Deferred outflows of Resources	-	645,497	-	117,376	-	762,873	
LIABILITIES							
Long-term liabilities	8,336,717	10,590,783	34,971,448	32,076,113	43,308,165	42,666,896	1.50%



Other Liabilities	7,847,862	7,246,537	3,404,829	4,301,224	11,252,691	11,547,761	-2.56%
<b>TOTAL LIABILITIES</b>	<b>16,184,579</b>	<b>17,837,320</b>	<b>38,376,277</b>	<b>36,377,337</b>	<b>54,560,856</b>	<b>54,214,657</b>	<b>0.64%</b>
Deferred inflows of resources	1,484,576		213,550		1,698,126		
<b>NET POSITION</b>							
Net invested in capital assets	45,589,017	45,041,821	50,761,360	50,226,712	96,350,377	95,268,533	1.14%
Restricted for debt	6,207,787	1,919,287	3,811,631	3,820,533	10,019,418	5,739,820	74.56%
Unrestricted	25,072,745	37,082,753	16,432,227	15,203,349	41,504,972	52,286,102	-20.62%
<b>TOTAL NET POSITION</b>	<b>76,869,549</b>	<b>84,043,861</b>	<b>71,005,218</b>	<b>69,250,594</b>	<b>147,874,767</b>	<b>153,294,455</b>	<b>-3.54%</b>

The most significant portion of 2017 net position reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and intangible assets such as water rights and sewer capacity); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of *unrestricted net position* (\$49.3 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2017 the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The table below summarizes the City's Statement of Activities for fiscal 2017:

REVENUES:	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Charges for goods and services	4,739,540	4,209,365	17,053,022	18,554,756	21,792,562	22,764,121
Operating Grants & contributions	1,149,728	1,159,821	114,281	160,719	1,264,009	1,320,540
Capital grants & contributions	544,412	353,182	-	-	544,412	353,182
Property Taxes	3,902,415	3,007,585			3,902,415	3,007,585
Sales Taxes	4,590,200	5,178,292			4,590,200	5,178,292
B&O Taxes					-	-
Excise Taxes	3,545,720	5,150,637			3,545,720	5,150,637
Utility & other Taxes	148,587	153,101			148,587	153,101
Interest	92,831	317,734	85,067	161,077	177,898	478,811
Other	17,117,625	5,370,176	(215,329)	(24,876)	16,902,296	5,345,300
<b>Total revenues</b>	<b>35,831,058</b>	<b>24,899,893</b>	<b>17,037,041</b>	<b>18,851,676</b>	<b>52,868,099</b>	<b>43,751,569</b>
<b>EXPENSES:</b>						
General government	3,906,621	5,556,109			3,906,621	5,556,109
Public safety	6,638,544	6,770,335			6,638,544	6,770,335
Utilities and environment	-	-			-	-

Transportation	1,568,424	2,044,641			1,568,424	2,044,641
Economic environment	1,322,196	998,018			1,322,196	998,018
Culture and recreation	1,199,581	1,456,827			1,199,581	1,456,827
Health and human services	404,327	394,097			404,327	394,097
Interest on debt	307,510	406,019			307,510	406,019
Water			15,364,520	8,715,887	15,364,520	8,715,887
Sewer			12,376,083	8,311,198	12,376,083	8,311,198
Storm			3,530,446	2,151,597	3,530,446	2,151,597
Total Expenses	15,347,203	17,626,046	31,271,049	19,178,682	46,618,252	36,804,728
Excess before contributions, special items & transfers	20,483,855	7,273,847	(14,234,008)	(327,006)	6,249,847	6,946,841
Transfers		1,427,618		(1,427,618)		-
Special Item- Debt Service		(1,562,560)				(1,562,560)
Special Item-Net gain on Capital Asset		35,407				35,407
Change in Net Position	20,483,855	7,174,312	(14,234,008)	(1,754,624)	6,249,847	5,419,688
Net Position as of January 1,	56,724,206	76,869,549	85,586,789	71,005,218	142,310,995	147,874,767
Prior Period Adjustment	(338,512)	-	(347,563)	-	(686,075)	-
Net Position as of December 31,	76,869,549	84,043,861	71,005,218	69,250,594	147,874,767	153,294,455

As illustrated in the total business type activities revenue, our receipts have remained steady, however, severe cuts in spending this year create the majority of the increase in Net Position overall. The revenue line item titled “charges for service” includes plan check and review fees as well as inspection fees, which are all associated with building and construction activities within our community. These are usually construed as an economic indicator of construction activity in our community. The total Change in Net Position is an increase of \$5,406,839.

Fluctuations in the category “Operating Grants and Contributions” are normal as these revenues are derived mainly from Federal Agencies, the State of Washington and other local governmental entities in the form of grant funding. Economical and/or financial impacts within the city’s varying granting agencies tends to have a trickle-down effect to the City of Bonney Lake in the form of less grant opportunities available.

### ***Significant Transactions and Changes in Individual Funds***

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

### ***Governmental Activities***

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

This year we have experienced a \$5.0 million dollar increase in Fund Balance. The majority of this is due to a bond issuance of \$4.0 million. Governmental Activities account for 55% of the City's Net Position.

Key Elements of the 2017 changes are as follows:

- Total assets from Governmental Activities increased by \$10,255,348.
- Cash & Cash Equivalents increased by \$11,675,614. from 2016 to 2017 while receivables increased by \$63,632. This is largely due to our debt issuance this year. Cash was also effected by the pay off the General fund portion of the 2016 debt issuance.
- Total liabilities from Governmental Activities increased by roughly \$3,093,885.
- Total Revenues decreased by \$9,480,989. This change is primarily related to the lower property taxes & decreased charges for services.
- Total expenses increased by \$3,769,021 as we increased our Capital & infrastructure significantly.
- The General Fund is the main operating fund of the city and at the end of the fiscal 2017, unassigned fund balance of the General Fund was \$7.6 million. For the past several years the top categories of revenue collected within the general fund have been Sales Tax, Property Tax, Building Permits, Utility Tax, and Fines and Forfeitures. This year we have added Grants & Contributions as a significant source of revenue. We expect this trend to continue.

### ***General Fund Budgetary Highlights***

The City follows very conservative management practices that continue to guide our budgetary outlook. Revenue and expenditure activity is monitored frequently throughout the year in order to anticipate and respond to near and long term economic conditions.

The City adopted an original 2017 – 2018 biennial budget to consist of \$197 million including fund balances. The adopted budget estimated 2017 revenues to be \$49.5 million and \$39.7 million in 2018. Expenditures were estimated at \$58 million for 2017 and \$63 million for 2018. Pursuant to RCW, the city reviews revenues and expenditures at the conclusion of the first year of the biennium and adjusts the biennial budget as necessary. This mid-biennial review is mainly to take a realistic budgetary look at projects underway and/or projects that may have experienced delays, for whatever reason. Funds are authorized for the entire biennium. The total biennial budget was adopted in the amount of \$143.4 million to include fund balances. Ordinance 1562, adopting the original biennial budget, contains a spreadsheet appendix that illustrates, by fund, appropriated total expenditures, revenues and any other financing uses and/or sources.

### ***Internal Service Fund Type Activities (ER&R Fund)***

The total net position increased slightly by \$702,476. For the Equipment Rental & Replacement Fund.

Key Elements of the 2017 changes are as follows:

- Investment in capital assets net of depreciation increased by \$449,895. in 2017, this can be attributed to additional acquisition of capital assets, which is the main function of this fund.
- Total liabilities from Internal service fund Activities remained relatively consistent being reduced by roughly \$24,730.
- Operating Revenues increased by \$418,980. Due to increasing replacement rates for current capital equipment replacement.

### ***Business Type Activities***

The total net position decreased by \$1,754,624. Business –type activities accounts for 46% of the Cities net position.

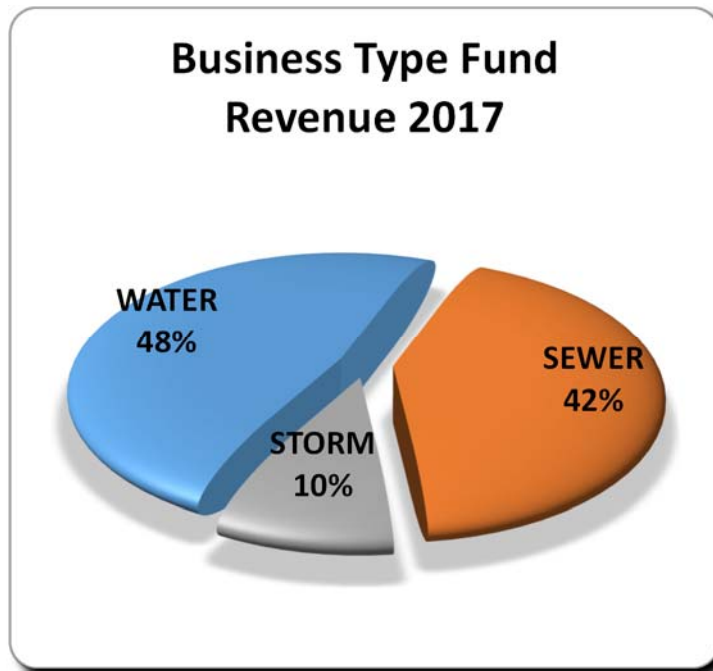
Key Elements of the 2017 changes are as follows:

- Investment in capital assets decreased by \$534,648. in 2017, this can be attributed to disposition of capital assets mainly in the water & sewer funds.
- Revenues increased slightly by \$1,814,635. Due mainly to incremental increases in water rates.
- Cash & cash equivalents decreased by \$1,385,284; while we saw a slight increase in receivables of \$93,367.
- Total liabilities from Business Type Activities decreased by \$1,785,390. This decrease was mostly due to lower Public works Trust Fund debt.

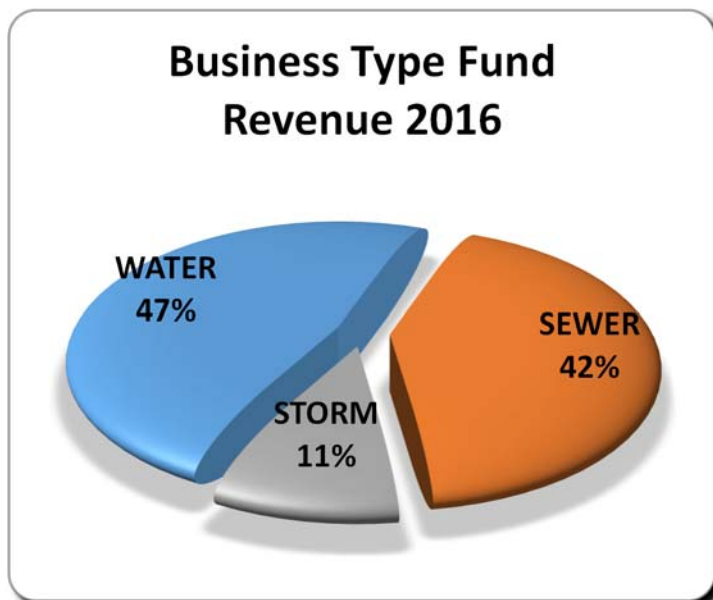
The charts below show the changes in Expenses & Revenues from 2016 to 2017 in the three major Business

Type funds:

WATER	\$ 8,806,688
SEWER	\$ 7,851,298
STORM	\$ 1,896,770

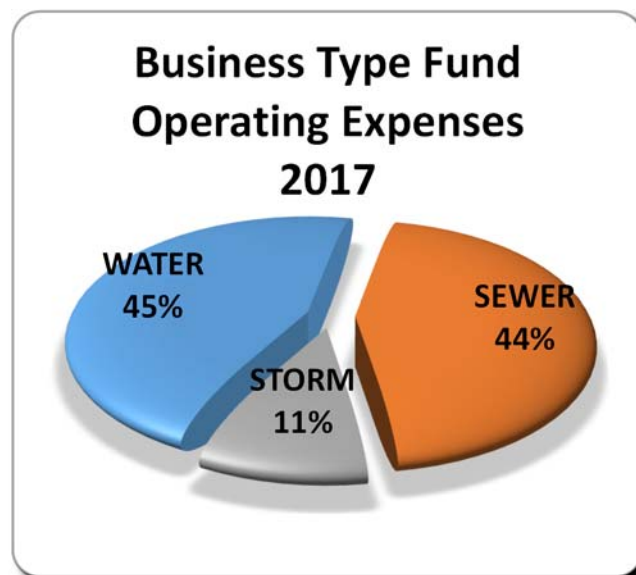


WATER	\$ 8,079,173
SEWER	\$ 7,169,355
STORM	\$ 1,736,414

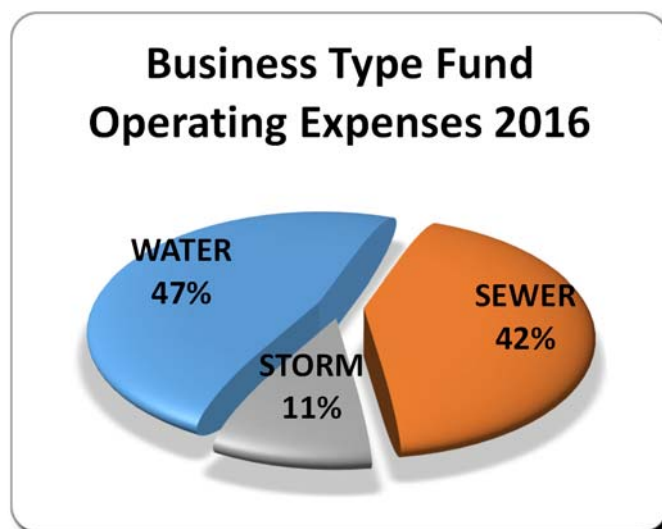


WATER	\$ 7,548,440
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SEWER	\$ 7,484,487
STORM	\$ 1,850,497



WATER	\$ 7,219,889
SEWER	\$ 6,427,112
STORM	\$ 1,629,790



*Capital Assets*

The following table summarizes the City's capital asset balances at December 31, 2017:

	Governmental activities:		Business-type activities:		Total:	
	2016	2017	2016	2017	2016	2017
Land	\$ 13,744,355	12,915,202	2,892,310	2,892,310	16,636,665	15,807,512
Construction in progress	9,268,602	10,766,480	5,457,803	2,589,626	14,726,405	13,356,106
Total capital assets, not depreciated	23,012,957	23,681,682	8,350,113	5,481,936	31,363,070	29,163,618
Capital assets, being depreciated:						
Buildings	5,981,304	5,921,586	8,596,367	9,668,878	14,577,671	15,590,464
Improvements other than buildings	14,065,228	15,521,640	46,314,252	46,999,828	60,379,480	62,521,468
Machinery and equipment	795,716	675,947	941,902	1,139,532	1,737,618	1,815,479
Rolling Stock	1,463,759	1,760,805	0	0	1,463,759	1,760,805
Leasehold Improvements	0	0	12,867,075	12,381,525	12,867,075	12,381,525
Intangible Assets	0	0	10,121,416	8,964,997	10,121,416	8,964,997
Infrastructure	7,705,053	7,222,572	0	0	7,705,053	7,222,572
Total capital assets being depreciated	30,011,060	31,102,550	78,841,012	79,154,760	108,852,072	110,257,310
TOTAL	\$53,024,017	\$54,784,232	\$87,191,125	\$84,636,696	\$140,215,142	\$139,420,928

Changes occurred in several asset categories as a result of normal operating activity; and, appropriately valuing and recording infrastructure assets. The City has many construction projects underway and, accordingly, the above table reflects this activity.

The City continues to pursue grant opportunities to enhance our infrastructure, major programs and capital improvement plans.

Additional information on the City's capital assets can be found in Note 4 & 5.

### ***Debt Administration***

The City's debt liabilities in both governmental and business-type activities increased during the fiscal year due to a bond issuance.

Additional information on the City's long-term debt can be found in Note 6 and 8.

### ***Economic Factors and Other Information***

The City of Bonney Lake is considered, at a regional level, as a balanced community with a residential character that conserves natural amenities while supporting a diverse mix of economic activities. The City promotes a safe, attractive and healthful living environment for residents to participate in various physical, educational, economic and social activities. The city's tax base remains sufficient to provide a high level of accountable, accessible and efficient local government services. The City is an active participant in interlocal as well as regional services and planning organizations.

## **Regional**

Strategically located in the easterly region of Pierce County, the City of Bonney Lake provides unparalleled opportunities generally associated with a more rural setting. Bonney Lake is an easy 20 minute commute to the City of Tacoma, which is the second largest city within the state. Seattle, the largest city in our state, is located within an approximate 40 minute commute northbound. This attractive proximity allows our residents the affordability and density of a suburb yet the relative close amenities such as arts and entertainment in addition to job opportunities more frequently associated with a major City.

The City enjoys close proximity to major employment centers, including Joint Base Lewis-McCord, Multi-Care Health System (including Good Samaritan Hospital), Franciscan Health Center, the Port of Tacoma, and the Seattle-Tacoma International Airport. Further information on these centers can be found at the Tacoma-Pierce County Chamber of Commerce website at [www.tacomachamber.org](http://www.tacomachamber.org).

## **Local**

The economy continues to dominate local official's current outlook as changing conditions influence the city's overall fiscal picture. As an example: when consumer confidence is moderate to high, people tend to expend more on goods and services; and, as a result city governments reap the benefit through increased sales tax collections. The economy has begun an upturn and the real estate market is seeing increased values, and more sales of existing & new homes. Consumer confidence has grown resulting in more consumer spending ultimately leading to increasing sales tax revenues. We will also see the major employer, Costco, open its doors in May of 2018 in our city.

For the first few years of the current decade consumer spending was slowed and as was a mild real estate market, that in turn provided smaller revenues through local property taxes than we had seen in the early 2000's. We are now experiencing growth recovery. Property tax revenues are driven primarily by the value of residential and commercial property, with property tax bills determined by an assessment of the value of property. Pursuant to the Pierce County Assessor-Treasurer, current property values continue to increase county wide. As a result, property tax revenues will continue a slow but steady growth.

In 2017 we hired an outside consulting firm to analyze the current water, sewer and storm revenues, as well as the need for new infrastructure within the city. As a result, we raised our water rates by 9.0% and Sewer rates by 5.5% in July in order to keep up with our growing infrastructure needs. This increase was in addition to the CPI increases that also occurred in January of 2017. The Council continues to evaluate and discuss a series of future rate increases.

With national economic indicators pointing to continued growth, the city continues a conservative approach to budgeting and forecasting. We have predicted slow growth in major sources of revenues and conversely have estimated expenditures, conservatively as well. We have acknowledged that the economy will rebound to pre-recession levels over time, however, continued financial vigilance is imperative for future sustainability.

As part of our overall review of fiscal policies, management and executive teams have committed to nurture economic growth in order to sustain the current health of the community as well as strategically positioning ourselves into the future. In order to accomplish this initiative city leaders have developed a strategic plan that looks back upon the past decade where fund balances have grown due to robust economic conditions. These decades of historically high fund balances have provided a "cushion" in anticipation of unpredictable



events such as natural disasters and economic downturns. In much the same fashion as a personal savings account, fund balances have been built up deliberately to set aside funds for planned events such as future capital projects.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's financial accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department; City of Bonney Lake, 9002 Main Street East, P.O. Box 7380, Bonney Lake, WA 98391-0944. Personal inquiries may be directed to Terrina Marchant, Senior Accountant, at (253) 447-4315, [marchantt@ci.bonney-lake.wa.us](mailto:marchantt@ci.bonney-lake.wa.us) or Cherie Gibson, Chief Financial Officer, at (253) 447-4314, [gibsonc@ci.bonney-lake.wa.us](mailto:gibsonc@ci.bonney-lake.wa.us)

**City of Bonney Lake**  
**Statement of Net Position**  
**December 31, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 43,674,108	\$ 17,185,167	\$ 60,859,275
Investments	-	-	-
Receivables	1,521,837	1,873,241	3,395,078
Due from other governments	1,282,992	49,190	1,332,182
Inventories	-	259,909	259,909
Internal Balances	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	3,967	1,366,413	1,370,380
Net Pension Asset	1,449,287	-	1,449,287
Deposits	3,837	5,596	9,433
Capital Assets:			
Non-depreciable	23,681,682	5,481,937	29,163,619
Depreciable (net)	31,102,550	79,154,759	110,257,309
Total assets	<u>102,720,260</u>	<u>105,376,212</u>	<u>208,096,472</u>
Deferred Outflow of resources	645,497	117,376	762,873
Total deferred outflow of resources	<u>645,497</u>	<u>117,376</u>	<u>762,873</u>
<b>LIABILITIES</b>			
Accounts payable	358,481	131,191	489,672
Contracts payable	78,854	-	78,854
Due to other governments	1,152	222	1,374
Deposits	35,045	64,671	99,716
Accrued Interest payable	-	115,655	115,655
Net Pension Liability	4,285,114	732,790	5,017,904
Other liabilities	602,410	168,952	771,362
Unearned revenue	57,808	-	57,808
Long term debts			
Due within one year	470,000	3,087,743	3,557,743
Due in more than one year	11,948,456	32,076,113	44,024,569
Total liabilities	<u>17,837,320</u>	<u>36,377,337</u>	<u>54,214,657</u>
Deferred Inflows related to Pensions	957,343		957,343
Deferred Inflows related to Recievables	527,233	213,550	740,783
Total deferred Inflows of resources	<u>1,484,576</u>	<u>213,550</u>	<u>1,698,126</u>
<b>NET POSITION</b>			
Net investment in capital assets	45,041,821	49,878,459	94,920,280
Restricted for Debt service/Pension Liability	1,919,287	3,820,533	5,739,820
Unrestricted	37,082,753	15,203,709	52,286,462
Total Net Position	<u>\$ 84,043,861</u>	<u>68,902,701</u>	<u>\$ 152,946,562</u>

*The notes are an integral part of the financial statements.*

**City of Bonney Lake  
Statement of Activities  
For the Year Ended December 31, 2017**

Functions/Programs	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 5,483,727	\$ 2,750,687	\$ 3,131,479	\$ (1,370)	\$ 397,069	\$ -	\$ 397,069
Public safety	6,770,335	503,633	-	-	(6,266,702)	-	(6,266,702)
Physical environment	-	-	-	-	-	-	0
Transportation	2,044,641	731,909	-	354,552	(958,180)	-	(958,180)
Health and human services	394,097	-	-	-	(394,097)	-	(394,097)
Economic environment	998,018	-	-	-	(998,018)	-	(998,018)
Culture and recreation	1,456,827	223,136	-	-	(1,233,691)	-	(1,233,691)
Interest on long term debt	406,019	-	-	-	(406,019)	-	(406,019)
Total governmental activities	17,553,664	4,209,365	3,131,479	353,182	(9,859,638)	-	(9,859,638)
<b>Business-type Activities:</b>							
Water	8,002,078	8,806,688	-	(70,255)	-	734,355	734,355
Sewer	7,813,341	7,851,298	-	(139,597)	-	(101,640)	(101,640)
Stormwater	1,935,645	1,896,770	-	22,678	-	(16,197)	(16,197)
Total business-type activities	17,751,064	18,554,756	-	(187,174)	-	616,518	616,518
<b>Total government</b>	<b>\$ 35,304,728</b>	<b>\$ 22,764,121</b>	<b>\$ 3,131,479</b>	<b>\$ 166,008</b>	<b>\$ (9,859,638)</b>	<b>\$ 616,518</b>	<b>\$ (9,243,120)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes					3,007,585	-	3,007,585
Sales taxes					5,178,292	-	5,178,292
B&O taxes					-	-	-
Excise taxes					5,150,637	-	5,150,637
Utility and Other taxes					153,101	-	153,101
Investment earnings					317,734	161,077	478,811
Court Revenue					-	-	-
Bond debt payoff					996,190	-	996,190
Miscellaneous revenues					513,812	33,459	547,271
Extraordinary item-reallocate debt					-	(1,446,682)	(1,446,682)
Developer Contributions					639,442	-	639,442
Pension Revenue/(expense)					96,692	(39,271)	57,421
Sale of Land/Asset					1,080,000	-	1,080,000
Special Item - Net Gain (loss) on sale of capital asset(s)					<b>35,407</b>	-	35,407
Transfer Out/in					1,427,618	(1,427,618)	-
Special Item - Debt Service					(1,562,560)	-	(1,562,560)
Total Revenues					17,033,950	(2,719,035)	14,314,915
Change in net position					7,174,312	(2,102,517)	5,071,795
Net position-beginning					76,869,549	71,005,218	147,874,767
Prior period adjustment					-	-	-
Net position-ending					<b>\$ 84,043,861</b>	<b>\$ 68,902,701</b>	<b>\$ 152,946,562</b>

City of Bonney Lake  
Balance Sheet  
Governmental Funds  
December 31, 2017

	q	301	302	303	320	120 & 202	
	GENERAL FUND	STREET CONSTRUCTION FUND	PARK CONSTRUCTION FUND	PUBLIC WORKS CENTER CONSTRUCTION	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS and DEFERRED OUTFLOWS							
Cash and cash equivalents	7,461,463	4,470,916	4,004,933	23,477,630	479,489	118,955	40,013,386
Receivables	1,420,112	100,976	0	0	750		1,521,838
Due from other governments	1,182,088	50,452	35,316	0	15,136		1,282,992
Prepaid Items	0	0	0	0	0		0
Restricted assets:							
Cash	3,967	0					3,967
Deposits	0	3,337	0	0	500		3,837
Total assets	10,067,630	4,625,681	4,040,249	23,477,630	495,875	118,955	42,826,020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	332,262	3,158	15	0	14,956		350,391
Contracts payable		78,854	0	0	0		78,854
Due to other governments	1,152	0	0	0	0	0	1,152
Restricted Deposits payable	31,139	0	0	0	3,906		35,045
Interfund loan payable		0	0	0	0		0
Unearned revenues	0	54,711	0	0	3,097		57,808
Other liabilities	592,505	0	0	0	0	0	592,505
Total liabilities	957,058	136,723	15	0	21,959	0	1,115,755
Deferred Inflows of Resources							
Unavailable - Court & Prop.Tax Recleva	527,263						527,263
Fund balances:							
Restricted	31,139	4,488,958	3,982,234	22,481,440	301,500		31,285,271
Committed	0	0	58,000	996,190	172,416	118,955	1,345,561
Assigned	55,773	0		0	0		55,773
Unassigned	8,496,397	0	0	0	0		8,496,397
Total fund balances	8,583,309	4,488,958	4,040,234	23,477,630	473,916	118,955	41,183,002
Total Liabilities, Deferred Inflows of Resources and Fund Balances	10,067,630	4,625,681	4,040,249	23,477,630	495,875	118,955	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	54,784,232
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	(12,411,169)
Long-term liabilities, GASB 68 Liability	(3,114,025)
Internal service funds are used by management to charge the costs of insurance and equipment rental and replacement equipment rental and replacement services to individual funds. Total assets and liabilities of the internal service funds that are reported with governmental activities, net of amounts reported above.	3,601,821
Net position of governmental activities	84,043,861

The notes are an integral part of the financial statements.

City of Bonney Lake  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2017

	001	301	302	303	320	120, 202	TOTAL
	GENERAL FUND	STREET CONSTRUCTION FUND	PARK CONSTRUCTION FUND	PUBLIC WORKS CENTER CONSTRUCTION	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
REVENUES							
Taxes							
Property	3,007,585	0	0	0	0	0	3,007,585
Sales	5,178,292	0	0	0	0	0	5,178,292
B&O	0	0	0	0	0	0	0
Excise	4,073,261	538,688	377,081	0	161,607	0	5,150,637
Other	153,101	0	0	0	0	0	153,101
Licenses and permits	979,802	0	0	0	0	0	979,802
Intergovernmental	3,131,479	5,290	0	0	0	0	3,136,769
Charges for goods and services	1,768,565	731,909	223,136	0	2,320	0	2,725,930
Fines and forfeitures	456,822	0	0	0	0	46,811	503,633
Miscellaneous:			0				
Interest	66,703	36,758	32,351	139,000	38,492	4,430	317,734
Other	245,914	639,442		996,190	170,096	172	2,051,814
Total revenues	19,061,524	1,952,087	632,568	1,135,190	372,515	51,413	23,205,297
EXPENDITURES							
Current:							
General government	4,811,576	0	0	0		0	4,811,576
Public safety	5,963,386	0	0	0	0	0	5,963,386
Utilities and environment		0	0	0	0	0	0
Transportation	1,795,270	6,265	0	0		0	1,801,535
Economic environment	879,529	0	0	0	0	0	879,529
Culture and recreation	1,285,223	0	0	0		0	1,285,223
Health and human services (Soc Svs)	347,110	0	0	0	0	0	347,110
Capital outlay	34,508	3,287,742	457,920	179,264	770,622	0	4,730,056
Debt service:							
Principal	996,190	0		0	0	565,000	1,561,190
Interest	33,314	0	0	0	0	340,778	374,092
Other debt Service Costs	0	31,500	0	0	0	427	31,927
Total expenditures	16,146,106	3,325,507	457,920	179,264	770,622	906,205	21,785,624
Excess (deficiency) of revenues over expenditures	2,915,418	(1,373,420)	174,648	955,926	(398,107)	(854,792)	1,419,673
OTHER FINANCING SOURCES (USES)							
Bonds Issued	0	4,032,000				0	4,032,000
Transfers In	0	0	0	5,500,000	0	854,400	6,354,400
Transfers Out	(926,782)	0	0	0	(4,000,000)	0	(4,926,782)
Sale of Land	1,080,000	0	0	0	0	0	1,080,000
Other Contributions	(1,370)	0	0	0	0	0	(1,370)
Total other financing sources and uses	151,848	4,032,000	0	5,500,000	(4,000,000)	854,400	6,538,248
Net Change in fund balances	3,067,266	2,658,580	174,648	6,455,926	(4,398,107)	(392)	7,957,921
Fund balances-beginning	5,516,043	1,830,378	3,865,586	17,021,704	4,872,023	119,347	33,225,081
Prior Period Adjustment				0	0	0	0
Fund balances-ending	8,583,309	4,488,958	4,040,234	23,477,630	473,916	118,955	41,183,002

The notes are an integral part of the financial statements.

**City of Bonney Lake**  
**Reconciliation of The Statement of Revenue, Expenditures,**  
**And Changes In Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For The Year Ended December 31, 2017**

Net changes in fund balances - total governmental funds	\$	7,957,921
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. Amounts related to capital assets are:

Capital outlay	4,730,056		
Depreciation expense	(2,042,909)		2,687,147

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount of the net effect of these differences in the treatment of long-term debt and related items.

Bonds Issued	(4,032,000)
Principal and other debt service costs retired	(1,865,700)

Net of Internal Service Fund Activity	702,476
Gain on sale of Capital Asset	955,419
Capital Contribution	
Net Result related to GASB 68 Booking Net Pension Expense/Liability	769,189
Net result related to the diminution of under-utilized fund activity	(140)
Sale of Asset (land)	

Change in net position of governmental activities	\$	7,174,312
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*The notes are an integral part of the financial statements.*

**City of Bonney Lake**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2017**

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	401 Water	402 Sewer	415 Stormwater	Total Proprietary Funds	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	11,710,781	2,804,520	2,669,866	17,185,167	3,660,722
Investments	0	0	0	0	0
Receivables	1,032,441	651,948	188,216	1,872,605	0
Due from other governmental units	0	0	49,190	49,190	0
Prepaid Items	0	0	0	0	0
Deposits	5,596	0	0	5,596	0
Interfund loan receivable	0	0	0	0	0
<b>Inventories</b>	61,086	198,823	0	259,909	0
Restricted assets:					
Cash and cash equivalents	836,178	421,661	108,574	1,366,413	0
Total current assets:	<u>13,646,082</u>	<u>4,076,952</u>	<u>3,015,846</u>	<u>20,738,880</u>	<u>3,660,722</u>
Noncurrent assets:					
Interfund loan receivable	0	0	0	0	0
Noncurrent - deposits	0	0	0	0	0
Noncurrent receivable	0	636	0	636	0
Capital assets:					
Land	1,841,124	843,350	207,837	2,892,311	0
Construction in progress	27,106	2,562,520	0	2,589,626	0
Buildings	6,386,941	5,660,148	32,964	12,080,053	0
Leasehold improvements	0	19,422,000	0	19,422,000	0
Improvements other than buildings	53,629,680	6,555,538	7,893,598	68,078,816	0
Machinery and equipment	406,610	1,686,919	3,279	2,096,808	6,773,006
Intangible asset	9,244,346	16,265,188	172,222	25,681,756	0
Accumulated depreciation	<u>(24,475,174)</u>	<u>(20,754,393)</u>	<u>(2,975,107)</u>	<u>(48,204,674)</u>	<u>(4,706,952)</u>
Total noncurrent assets:	<u>47,060,633</u>	<u>32,241,906</u>	<u>5,334,793</u>	<u>84,637,332</u>	<u>2,066,054</u>
Total assets	<u>60,706,715</u>	<u>36,318,858</u>	<u>8,350,639</u>	<u>105,376,212</u>	<u>5,726,776</u>
Deferred Outflows of Resources					
Deferred Outflows - pension	58,110	41,282	17,984	117,376	5,163
Total deferred Outflows of resources	<u>58,110</u>	<u>41,282</u>	<u>17,984</u>	<u>117,376</u>	<u>5,163</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	70,887	54,842	5,462	131,191	8,090
Due to other governments	222	0	0	222	0
Deposits	62,611	0	0	62,611	0
Accrued Interest Payable	115,655	0	0	115,655	0
Current portion of long-term debt	1,834,041	1,204,502	49,200	3,087,743	0
Other Liabilities	90,252	44,421	34,279	168,952	9,905
Total current liabilities:	<u>2,173,668</u>	<u>1,303,765</u>	<u>88,941</u>	<u>3,566,374</u>	<u>17,995</u>
Non current liabilities:					
Compensated absences	201,353	150,063	54,203	405,619	7,287
Revenue bonds payable	9,203,898	6,501,004	2,083,623	17,788,525	0
Public Works Trust Fund payable	5,980,986	7,900,983	0	13,881,969	0
Deposits - Noncurrent	0	2,060	0	2,060	0
Contract payable for purchase of water rights	0	0	0	0	0
Net Pension Liability	353,769	267,319	111,702	732,790	33,619
Total Non current liabilities:	<u>15,740,006</u>	<u>14,821,429</u>	<u>2,249,528</u>	<u>32,810,963</u>	<u>40,906</u>
Total liabilities	<u>17,913,674</u>	<u>16,125,194</u>	<u>2,338,469</u>	<u>36,377,337</u>	<u>58,901</u>
Deferred Inflows of Resources					
Deferred Inflows - pension	102,896	78,373	32,281	213,550	9,573
Total deferred Inflows of resources	<u>102,896</u>	<u>78,373</u>	<u>32,281</u>	<u>213,550</u>	<u>9,573</u>
<b>NET POSITION</b>					
Net investment in capital assets	30,041,708	16,634,781	3,201,970	49,878,459	2,066,054
Restricted for debt service	1,834,041	1,204,502	49,200	3,087,743	0
Restricted for replacement	0	0	0	0	3,597,411
Restricted for insurance	0	0	0	0	0
Unrestricted	10,872,506	2,317,290	2,746,703	15,936,499	0
Total net position	<u>42,748,255</u>	<u>20,156,573</u>	<u>5,997,873</u>	<u>68,902,701</u>	<u>5,663,465</u>

The notes are an integral part of the financial statements.

**City of Bonney Lake**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2017**

	Business-type Activities - Enterprise Funds				
	401 Water	402 Sewer	415 Stormwater	Total Proprietary Funds	Gov. Activities Internal Service Funds
OPERATING REVENUES					
Charges for goods and services	8,806,688	7,851,298	1,896,770	18,554,756	\$ 1,315,069
Total operating revenues	8,806,688	7,851,298	1,896,770	18,554,756	1,315,069
OPERATING EXPENSES					
Repairs & Maintenance	1,501,898	1,446,129	538,469	\$ 3,486,496	298,351
Other Supplies & Expenses	2,290,957	2,935,087	578,968	\$ 5,805,012	320,835
Personal Services	743,587	656,356	329,888	1,729,831	59,281
Insurance				-	-
Taxes	1,328,833	967,058	235,099	2,530,990	-
Depreciation	1,683,165	1,479,857	168,073	3,331,095	440,053
Total operating expenses	7,548,440	7,484,487	1,850,497	16,883,424	1,118,520
Operating income (loss)	1,258,248	366,811	46,273	1,671,332	196,549
Nonoperating revenues (expenses):					
Gain / (Loss) on retirement of assets	-	-		-	14,554
Investment earnings	103,654	32,168	25,255	161,077	29,425
Miscellaneous revenue (Expense)	(684,746)	(562,197)	(166,280)	(1,413,223)	102,918
Pension Expense	(8,676)	(38,667)	8,072	(39,271)	9,768
Grant income	-	-	160,719	160,719	-
Interest and other debt service cost	(453,638)	(328,854)	(85,148)	(867,640)	-
Total non operating revenue	(1,043,406)	(897,550)	(57,382)	(1,998,338)	156,665
Income (loss) before contributions and transfers	214,842	(530,739)	(11,109)	(327,006)	353,214
Capital contributions	(70,255)	(139,597)	(138,041)	(347,893)	349,262
Transfers in	36,191	27,143	9,048	72,382	-
Transfers out	(750,000)	(525,000)	(225,000)	(1,500,000)	-
Change in net position	(569,222)	(1,168,193)	(365,102)	(2,102,517)	702,476
Net position-beginning	43,317,477	21,324,766	6,362,975	71,005,218	4,960,989
Restatement per GASB 68 implementation		-	-	-	-
Prior period adjustment		-	-	-	-
Net position-ending	\$ 42,748,255	\$ 20,156,573	\$ 5,997,873	68,902,701	\$ 5,663,465

*The notes are an integral part of the financial statements.*



**City of Bonney Lake**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2017**

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	WATER	SEWER	STORM	TOTAL	
Cash flows from operating activities:					
Receipts from customers and users	\$ 8,769,476	\$ 7,861,389	\$ 1,951,737	\$ 18,582,602	\$ 1,315,069
Payments for taxes	(1,328,833)	(967,058)	(235,099)	(2,530,990)	-
Payments to employees	(739,043)	(591,877)	(344,978)	(1,675,898)	(64,748)
Payments for goods and services	(4,214,398)	(4,518,542)	(1,161,165)	(9,894,105)	(612,316)
Net cash provided (used) by operating activities	2,487,202	1,783,912	210,495	4,481,609	638,005
Cash flows from noncapital financing activities:					
Grants and contributions	-	-	160,719	160,719	-
Interfund loan payments (transfers)	(750,000)	(525,000)	(225,000)	(1,500,000)	-
Nonoperating miscellaneous revenue	38,236	(19,691)	14,555	33,100	102,918
Net cash provided (used) by Noncapital financing	(711,764)	(544,691)	(49,726)	(1,306,181)	102,918
Cash flows from capital and related financing activities:					
Proceeds from capital debt	-	-	-	-	-
Debt principal payments	(1,507,886)	(1,181,542)	(37,200)	(2,726,628)	-
Interest paid on debt	(453,638)	(328,854)	(85,148)	(867,640)	-
Proceeds from sales of equipment or vehicles	-	-	-	-	14,554
Payment for capital acquisitions	(454,625)	(741,745)	(276,082)	(1,472,452)	(540,687)
Net cash provided (used) by capital and related financing activities	(2,416,149)	(2,252,141)	(398,430)	(5,066,720)	(526,133)
Cash flows from investing activities:					
Interest income	103,654	32,168	25,255	161,077	29,425
Other	-	-	-	-	-
Net cash provided (used) by investing activities	103,654	32,168	25,255	161,077	29,425
Net Increase (decrease) in cash and cash equivalents	(537,057)	(980,752)	(212,406)	(1,730,215)	244,215
Cash and cash equivalents, beginning of year	13,018,997	4,067,336	2,852,805	19,939,138	3,416,507
Cash and cash equivalents, end of the year	\$ 12,481,940	\$ 3,086,584	\$ 2,640,399	\$ 18,208,923	\$ 3,660,722
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,258,248	\$ 366,811	\$ 46,273	1,671,332	\$ 196,549
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,683,165	1,479,857	168,073	3,331,095	440,053
Changes in assets and liabilities:					
(Increase) decrease in customer accounts receivable	(73,403)	(17,052)	45,919	(44,536)	-
(Increase) decrease in interfund loan receivable /Transfer In/Out	36,191	27,143	9,048	72,382	-
(Increase) decrease in prepaids	-	-	-	-	(1,220)
(Increase) decrease in inventory	(12,205)	(39,216)	-	(51,421)	-
Increase (decrease) in accounts payable	(21,854)	(100,170)	5,462	(116,562)	8,090
Increase (decrease) in deposits	3,518	2,060	-	5,578	-
Increase (decrease) in payroll payable	(6,250)	43,205	(535)	36,420	-
Increase (decrease) in compensated absences	10,794	21,274	(14,555)	17,513	(5,467)
Increase (decrease) in due to other governments	(391,002)	-	(49,190)	(440,192)	-
Net cash provided by operating activities	2,487,202	1,783,912	210,495	4,481,609	\$ 638,005

The notes are an integral part of the financial statements.

**City of Bonney Lake, Washington  
Notes to the Financial Statements  
For the Year Ended December 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Bonney Lake 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 accounting and reporting policies of the City of Bonney Lake conform to the Generally Accepted Accounting Principles for governments, and are regulated by the Washington State Auditor's Office (SAO). The significant accounting policies are described below.

**A. Reporting Entity**

The City of Bonney Lake, organized as a non-chartered code city, was incorporated in 1949 utilizing the Mayor/Council form of government. The City's legislative authority, the City Council, consists of a Mayor and seven Councilmembers who are elected to overlapping four-year terms of office. The Council is responsible for assuring citizen representation through policy discretion and adoption of local codes and legislation.

**B. Government-Wide, Governmental and Proprietary 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 non-fiduciary activities of the primary government. 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.

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. The City's 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 as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds' financial statements.

The City of Bonney Lake reports the following major governmental funds:

- The General Fund is the City's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Street CIP Fund is used for capital purposes such as roads, streets, sidewalks and street lights.
- The Park CIP Fund is used for capital improvements that are park related.
- The Public Works Center CIP Fund is used for capital improvements for the future building.
- The General Government CIP Fund is used for all other general capital purposes.

The City reports the following major proprietary funds:

- The Water Fund accounts for activities of water distribution for the City. The City operates its own water distribution system.
- The Sewer Fund accounts for the sewer collection activities for the City. The City operates its own sewage pumping stations and collections systems, and has a capacity agreement with the City of Sumner, who operates the wastewater treatment plant.
- The Stormwater Fund accounts for the activities of stormwater treatment and disposal.

Additionally, the City of Bonney Lake reports the following fund types:

Internal Service Funds account for fleet management services provided to other departments of the government on a cost-reimbursement basis.

Special Revenue funds for revenues derived from specific taxes, grants or other sources. They are assigned to financing specific activities of the City.

Debt Service Funds account for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligation of the governmental funds.

As a general rule, the effect of the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

As a guideline there are two criteria we consider when defining revenues and expenses as operating: does the revenue/expense result from the fund's principal purpose, and is the revenue/expense allowed to be considered operating on the statement of cash flows

Generally, we record the following as proprietary fund Operating Revenues:

Charges for services/goods, Fees related directly to their principal operations (e.g., connection fees if offset by current period expenses, i.e., not capitalized, etc.) as well as Miscellaneous revenues provided they are directly related to principal operations. Essentially the cost of goods sold and service provided constitute operating expenses.

We record the following as proprietary fund Nonoperating Revenues:

Property and other taxes, Fines, Rentals and leases and some miscellaneous revenues.

We record Operating Expenses based on whether they are directly related to the primary purpose of the business-type activities fund. (IE: taxes that we pay directly on a utility to outside entities, or repairs & maintenance on equipment specific to the fund). All other expenses are Nonoperational.

### **C. Measurement Focus, Basis of Accounting**

The government-wide financial statements are reported focusing on the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants 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 measureable 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, property the City 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 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 measureable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund has a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses. The City's resources are allocated to and accounted for in separate funds based upon the purposes for which resources are to be spent and the means by which

spending activities are controlled.

#### **D. Budgetary Information**

##### Scope of budget

Biennial appropriated budgets are adopted for the general, some special revenue and debt service funds on the modified accrual basis of accounting. Proprietary and fiduciary funds are budgeted for management purposes only.

The biennial appropriated budgets are adopted at the fund level and the budgets constitute the legal authority for expenditures at that level. Subsidiary revenue and expenditure records are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class. Any unexpended appropriation balances lapse at the end of the biennium.

The City's budget procedures are mandated by RCW 35A.34. On or before November 1, on even numbered years, the Mayor submits the proposed budget to the Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months and balanced with revenue estimates made by the Administration. Council conducts public hearings on the proposed budget. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders, contracts, etc.) outstanding at year end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be appropriated and honored during the subsequent year.

##### Amending the Budget

The City Administrator, CFO, and Mayor are authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council. The City Council may determine that it is in the best interest of the City to increase or decrease the appropriation for a particular fund. It must do so by resolution or ordinance approved by one more than the majority after holding public hearings.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations and other legally authorized changes applicable for the fiscal year.

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

##### 1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2017, the City holding \$62,235,848 as cash and cash equivalents. This includes \$50,521,163 in investments and

\$11,714,685 in cash and cash equivalents. 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 of Bonney Lake considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

## 2. Investments

Investments are valued at fair-value. See additional information in Note 3.

## 3. Receivables

Taxes receivable consist of property taxes and related interest and penalties. Accrued interest receivable consists of amounts earned on investments, notes and contracts and the end of the year. See Note 2 for additional information on property taxes.

Special assessments are receivables which consist of current and delinquent assessments and related interest and penalties. Assessments on the fund financial statement consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2017, we have no special assessments 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.

## 4. Amounts Due to and From Other Funds, Governments and Interfund Loans

Activities between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "loans receivable/loans payable". All other outstanding balances between funds are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". See additional information in Note 6.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

## 5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. 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 LIFO method, which approximates the market value.

## 6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt services, including current and

delinquent special assessments receivable, in enterprise funds. The current portion of related liabilities is shown as Payables from Current Restricted Assets. Specific debt service reserve requirements are described in Note 6, Long-Term Debt.

#### 7. Capital Assets (See Note 4)

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual purchase price of \$5,000 or greater and an estimated useful life in excess of two years, or for infrastructure assets, with an initial purchase price of \$50,000 or more and a useful life of greater than 20 years. Such assets are recorded at historical cost or estimated historical cost if purchased and constructed. Donated capital assets are recorded at acquisition 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Asset Type	Years
Office furniture	10
Computer equipment	4 - 5
Vehicles	5 - 7
Machinery and Equipment	5 – 50
Other improvements	30 - 40
Buildings and structures	45 - 50

For assets acquired in and subsequent to 2007, no depreciation is taken in the year of acquisition; rather, a full year of depreciation is taken in the year subsequent to acquisition and each year thereafter. Upon disposition, a full year of depreciation is taken in the year of disposition.

For assets acquired in the year 2006 and prior, depreciation is calculated according to the month of acquisition. For example, assets acquired in April in year 2006 or prior were calculated with eight months of depreciation in the first year. Subsequent years are calculated with a full twelve months of depreciation. Similarly, upon disposition, depreciation is calculated based upon the month of disposition.

#### 8. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position (expenditures/expense) that applies to a future period and thus is shown on the Statement of Net Position until the period that it becomes and expenditure/expense. Deferred outflows of resources

presented in this manner on the accompanying financial statements are related to the loss on refunded debt. Deferred inflows of resources represent an acquisition of net position (revenue) that applies to a future period and thus is shown on the Balance Sheet/Statement of Net Position until the period that it becomes revenue. The governmental funds report unavailable revenues from three sources: accounts receivable, property taxes, and special assessments.

#### 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.

#### 10. Compensated Absences

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

Vacation pay, which may be accumulated up to a maximum of 240 hours or 30 days, is payable upon resignation, retirement or death.

In accordance with the provisions of GASB No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken upon termination. Sick leave may accumulate up to a maximum of 960 hours. After 5 years of employment, 25% of accumulated sick leave up to a maximum of 720 hours is payable upon resignation or layoff. Upon retirement, or death, 100% of accumulated sick leave up to a maximum of 720 hours is payable.

#### 11. Other accrued liabilities

These accounts consist of accrued wages and accrued employee benefits.

#### 12. Long-Term Obligations

See Note 6, Long-Term Debt

#### 13. Unearned Revenues

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

#### 14. Fund Balance Classification

The City reports the following fund balance classification policies and procedures:

- a) *Non-spendable*- amounts that cannot be spent either because they are non-spendable in form or because they are legally or contractually required to be maintained intact.
- b) *Restricted*- amounts that can be spent only for the specific purposes stipulated by external



parties either constitutionally or through enabling legislation.

- c) *Committed*- amounts that can be used only for the specific purposes determined by formal action of the City Council, the government's highest level of decision making authority by resolution or ordinance. Commitments may be changed or lifted by referring to the formal action that imposed the constraint originally.
- d) *Assigned* that are constrained by the government's intent for a specified purpose authorized by someone to whom the governing body has delegated authority to, usually the City Administrator, elected officials and department heads, within the scope of their approved budgets, may assign fund balance for a specified purpose.
- e) *Unassigned*- includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

	2017 Fund Balance Classification					
	STREET		PARK		PUBLIC WORKS	
	GENERAL FUND	CONSTRUCTION FUND	CONSTRUCTION FUND	CENTER CONSTRUCTION FUND	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS
Restricted	627,629					
Committed						118,955
Due to other Governments/payables	333,414					
Drug Investigation Fund/Debt Service				23,477,630		
Assigned		4,438,506	4,004,918		458,780	
Unassigned	6,621,643					
Total fund balances	9,027,560	4,438,506	4,004,918	23,477,630	458,780	118,955

Some of the Major contributors of the restricted fund balance are as follows:

Fund	Description	Amount
001		
301		

The remaining restricted fund balance is the result of enabling legislation, unspent grant proceeds and other externally restricted purposes.

Some of the Major contributors of the restricted fund balance are as follows:

Fund	Description	Amount
001		
301		

The remaining committed fund balance is the result of commitments by the City Council for purposes they determined to be necessary to carrying out the City's mission.

## **NOTE 2 – PROPERTY TAXES**

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

<b>Property Tax Calendar</b>	
January 1	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.

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which it applies is recorded as deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The city may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. The City's regular levy for 2017 was \$1.26808 per \$1,000 of assessed valuation of \$2,370,217,812 for a total regular levy of \$3,005,625.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the rate.

## **NOTE 3 – DEPOSITS AND INVESTMENTS**

### **A. Deposits**

Cash received and accumulated by the City is deposited and invested as legally prescribed in various financial institutions in the form of checking and savings accounts and the Washington State Treasurers Local Government Investment Pool.

Deposit custodial credit risk is the risk that in the event of a bank failure, the City may not be able to recover deposits or collateral securities that are in the possession of an outside party. The City's bank balance is insured by the Federal Deposit Insurance Commission (FDIC) which insures the first \$250,000. The Washington Public Deposit Protection Commission (WPDPC) insures amounts over \$250,000. The WPDPC is a multiple financial institution collateral pool established by state statute to protect public funds against loss.

The City does not have a formal policy for custodial risk beyond the requirements of the State statute. State law restricts deposit of funds in financial institutions physically located in Washington unless expressly permitted by statute and authorized by Washington's Public Deposit Protection Act (PDPC).

The City's deposits are held by banks that are designated as public depositories in the state of Washington and fall under the scope of the state of Washington's Public Deposit Protection Act (PDPA).

## **B. Investments**

### **Investments Measured at Amortization Cost**

During 2017, the City had its entire investment in the Washington State Local Government Investment Pool (LGIP), which is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 60 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The Net Asset Value of the City's pool investments is determined by the pool's share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official. The City includes the LGIP as an investment for internal tracking, but it is disclosed on the financial statements as a cash equivalent.

Washington State Local Governmental Investment Pool (LGIP) participation is reported at amortized cost as determined by the Washington State Treasurer. The LGIP issues separate financial statements that can be found at [www.tre.wa.gov/lgipCafr](http://www.tre.wa.gov/lgipCafr). The LGIP pool is managed to meet the portfolio maturity, quality, diversification and liquidity requirements set forth in GASB 79 "Certain External Investment Pools and Pool Participants" for external investment pools reporting investments at amortized cost. The State Treasurer asks that we give notice at least one day prior to deposit or withdrawal transfers of \$10 million or more from the LGIP.

### **Investments Measured at Fair Value**

The city currently has no other investments

## NOTE 4 – CAPITAL ASSETS

A summary of capital assets activity for the year ended December 31, 2017 is as follows:

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 13,744,355	\$ -	\$ 191,700	\$ (1,020,853)	\$ 12,915,202
Construction in progress	9,268,602	-	3,852,268	(2,354,390)	10,766,480
Total capital assets, not being depreciated	23,012,957	-	4,043,968	(3,375,243)	23,681,682
Capital assets, being depreciated:					
Buildings	12,069,714	-	448,455	-	12,518,169
Improvements other than buildings	18,400,575	-	2,354,390	-	20,754,965
Machinery and equipment	3,361,161	-	34,508	-	3,395,669
Rolling Stock	6,188,309	-	889,948	(305,249)	6,773,008
Infrastructure	17,541,221	-	-	-	17,541,221
Total capital assets being depreciated	57,560,980	-	3,727,301	(305,249)	60,983,032
Less accumulated depreciation for:					
Buildings	(6,088,410)	-	(508,173)		(6,596,583)
Improvements other than buildings	(4,335,347)	-	(897,978)		(5,233,325)
Machinery and equipment	(2,565,445)	-	(154,277)		(2,719,722)
Rolling Stock	(4,724,550)	-	(440,053)	152,400	(5,012,203)
Infrastructure	(9,836,168)	-	(482,481)		(10,318,649)
Total accumulated depreciation	(27,549,920)	-	(2,482,962)	152,400	(29,880,482)
Total capital assets, being depreciated, net	30,011,060	-	1,244,339	(152,849)	31,102,550
Governmental activities capital assets, net	\$ 53,024,017	\$ -	\$ 5,288,307	\$ (3,528,092)	\$ 54,784,232

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,892,310	\$ -	\$ -	\$ -	\$ 2,892,310
Construction in progress	5,457,803	-	428,885	(3,297,062)	2,589,626
Total capital assets, not being depreciated	8,350,113	-	428,885	(3,297,062)	5,481,936
Capital assets, being depreciated:					
Buildings	10,793,314	-	1,286,739	-	12,080,053
Leasehold Improvements	19,422,000	-	-	-	19,422,000
Improvements other than buildings	66,016,033	-	2,062,783	-	68,078,816
Machinery and equipment	1,801,487	-	295,321	-	2,096,808
Intangible assets	25,681,757	-	-	-	25,681,757
Total capital assets being depreciated	123,714,591	-	3,644,843	-	127,359,434
Less accumulated depreciation for:					
Buildings	(2,196,947)	-	(214,228)		(2,411,175)
Leasehold Improvements	(6,554,925)	-	(485,550)		(7,040,475)
Improvements other than buildings	(19,701,781)	-	(1,377,207)		(21,078,988)
Machinery and equipment	(859,585)	-	(97,691)		(957,276)
Intangible assets	(15,560,341)	-	(1,156,419)		(16,716,760)
Total accumulated depreciation	(44,873,579)	-	(3,331,095)	-	(48,204,674)
Total capital assets, being depreciated, net	78,841,012	-	313,748	-	79,154,760
Business-type activities capital assets, net	\$ 87,191,125	\$ -	\$ 742,633	\$ (3,297,062)	\$ 84,636,696

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

Depreciation Expense, 2017

Governmental activities:	
General government	\$ 472,780
Public safety	525,551
Physical Environment	198,478
Transportation	1,061,458
Health & Human Services	19,655
Economic Environment	3,408
Culture & Recreation	201,632
Total depreciation expense - governmental activities	<u>\$ 2,482,962</u>
Business-type activities:	
Water	\$ 1,683,165
Sewer	1,479,857
Stormwater	168,073
Total depreciation expense - business type activities	<u>\$ 3,331,095</u>

## **NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

At year end the City's commitments were as follows:

<b><i>Governmental Activities</i></b>	Spent-to-Date	Remaining Commitment
<b>Streets Capital Projects (301)</b>		
Sidewalks-Curbing on 174th	\$ 4,958	\$ (4,958)
S204th & SR 410 Intersection	2,601,411	1,240,589
Sumner BuckleyHwy -SR 410 to Main St.Intersection	6,934,498	197,502
Sidewalks Compliance (Fed Mand)	-	45,000
Subtotal Street Capital Improvement Fund	9,540,867	1,478,133
<b>Parks Capital Projects (302)</b>		
Ballpark 4 improvements	-	480,000
Midtown Park Master Plan	-	25,000
Allan Yorke Park improvements	255,463	234,537
Fennel Creek Trail - Segment 2	728,146	193,854
Subtotal Parks Capital Improvement Fund	983,609	933,391
<b>Public Works Center Capital Projects (303)</b>		
Public Woks Center Construction	179,264	23,820,736
Subtotal Public Woks Center Capital Improvement Fund	179,264	23,820,736
<b>General Government Capital Projects (320)</b>		
Building Improvements	-	227,000
PSB Fencing	59,550	(59,550)
Subtotal General Government Capital Improvement Fund	59,550	167,450
<b>Total Governmental Funds</b>	<b>\$ 10,763,290</b>	<b>\$ 26,399,710</b>

<b><i>Business-Type Activities</i></b>	Spent-to-Date	Remaining Commitment
<b>Water Fund Projects (401)</b>		
SCADA Telemetry Upgrade	334,069	65,931
TPU Pump Station	5,508	394,492
Tacoma Pt Water Tank	-	100,000
Flume Tresstle Rehab	59,336	125,000
Ponderosa small Tank Repaint	21,597	353,403
Water Extension Looping (PWC)	-	850,000
Subtotal Water Fund Projects	420,510	1,888,826

<b>Sewer Fund Projects (402)</b>		
SCADA Telemetry Upgrade	872,555	517,608
Unscheduled projects-WSU Sewer Main SR410		250,000
Sumner WWTP Upgrade	7,746,553	4,451,184
Fennel Creek Lift Station	2,368,224	150,000
Flume Trestle Rehabilitation	59,336	125,000
Sewer Extension at 266th (PWC)	-	525,000
Falling Waters Trunk Line Improvements	51,131	86,145
SR 410 Sewer Bottleneck	55,958	697,042
Lift Station #17 Improvements	27,872	(27,872)
Subtotal Sewer Fund Projects	11,181,629	6,774,107
<b>Stormwater Fund Projects (415)</b>		
NPDES	-	75,000
Regional Storm Pond (Locust & 82nd)	-	45,000
Subtotal Stormwater Fund Projects	-	120,000
<b>Total Business-Type Activities</b>		
	11,602,139	8,782,933
<b>Total All Funds</b>		
	\$ 22,365,429	\$ 35,182,643

## **NOTE 6 – LONG TERM DEBT**

### **General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Proceeds are typically used for the acquisition or construction of major capital facilities.

“Councilmanic Bonds” are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. The general obligation bond issues are recorded under governmental activities in the Statement of Net Position.

The City of Bonney Lake issued general obligation bonds to finance street construction in 2017. Bonded indebtedness has also been entered into (currently and in prior years) to advance/refund several general obligation and revenue bonds. General obligation bonds have been issued for both general government and business-type activities are being repaid from the applicable resources. The revenue bonds are being repaid by proprietary fund revenues.

The City of Bonney Lake is also liable for debt that was entered into for the purchasing of Motorola 800MHz radios. This debt is considered obligations of the general government and is being repaid with general governmental revenue sources. In March 2015, the 2008 General Obligation Bond and the Motorola Contract were rolled into the 2015 Refunding Issue.

At December 31, 2017, the general obligation bonds payable consist of the following issue for governmental activities:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2015 LTGO	18 Yrs.	3.50% avg	7,885,000	470,000
2017 LTGO	15 yrs	2.27% avg	4,032,000	270,000

The annual debt service requirements to maturity for this general obligation bond is as follows:

<b>2015 LTGO</b>	<b>Governmental Activities</b>	
Year Ending	Principal	Interest
2018	470,000	267,900
2019	375,000	253,800
2020	385,000	242,550
2021	400,000	231,000
2022	410,000	219,000
2023-2027	2,285,000	837,600
2028-2032	2,780,000	342,600
Totals	7,105,000	2,394,450
<b>2017 LTGO</b>	<b>Governmental Activities</b>	
Year Ending	Principal	Interest
2018	0	91,526
2019	270,000	91,526
2020	276,000	85,397
2021	283,000	79,132
2022	289,000	72,708
2023-2027	1,545,000	262,185
2028-2031	1,369,000	78,564
Totals	4,032,000	761,040

#### Revenue Bonds

The City has also issued revenue bonds where the government pledged income derived from the acquired or constructed assets to pay debt service. The revenue bond currently outstanding is as follows:

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2016 Revenue Bonds	25 yrs.	4.0%	15,865,000	410,000
2007 Revenue Bonds	12 yrs.	3.5% - 4.0%	4,570,000	415,000



Revenue bond debt service requirements to maturity are as follows:

	<b>2007 Revenue Bonds</b>	
Year Ending	Principal	Interest
2018	415,000	34,020
2019	425,000	17,213
Totals	840,000	51,233

	<b>2016 Revenue Bonds</b>	
Year Ending	Principal	Interest
2018	415,000	642,250
2019	425,000	625,850
2020	435,000	617,250
2021	445,000	608,550
2022	465,000	590,750
2023-2027	2,605,000	2,660,750
2028-2032	3,175,000	2,095,750
2033-2037	3,855,000	1,408,750
2038-2041	3,735,000	478,500
Totals	15,555,000	9,728,400

#### Public Works Trust Fund Loans

Public Works Trust Fund Loans are a low interest rate loan available from the State of Washington Department of Commerce, Local Government & Infrastructure Division for qualifying projects and are a direct responsibility of the City. The debt is repaid by proprietary fund revenues.

At December 31, 2017, the Public Works Trust Fund loans payable consist of the following:

Fund	Loan #	Description	Due in 1 Year (2018)	Due in More Than 1 Year	12/31/2017 Ending Bal
401	PW-98-78898-07	Corrosion Control Facility	14,974	14,975	29,949
401	PW-98-78898-08	Lakeridge Booster Pump Station	37,657	37,658	75,315
401	PW-98-791-006	Ponderosa Reservoir #2 - 800 Zone Overflow Cons	14,995	(0)	14,995
401	PW-00-691-008	McGhee Water Main Replacement	38,306	76,613	114,919
401	PW-03-691-003	Spring Sources Water Quality Treatment Facilities	63,715	318,577	382,293
401	PW-04-691-008	Ball Park Well Water Quality Treatment Facility	178,676	1,072,059	1,250,735
401	PW-04-691-009	Leak Reduction Program	247,456	1,484,734	1,732,190
401	PW-PC-08-951-004	Leak Reduction Program Phase II	297,637	2,976,371	3,274,008
402	PW-02-691-006	Sumner Sewer Treatment Plant Upgrade	373,047	1,492,188	1,865,235
402	PW-04-691-007	Sumner Sewer Treatment Plant Upgrade	105,450	632,700	738,150
402	PW-06-962-ELP-302	Emergency Sewer Main Replacement	26,316	210,526	236,842
402	PW-PC-08-951-005	Reconstruct Trunk Sewer to Sumner WWTP	195,732	1,957,317	2,153,048
402	PC-12-951-045	Sumner /Bonney Lake Wastwater Treatment Plan	277,558	3,608,251	3,885,809
			1,871,520	13,881,969	15,753,488

Revenue bond debt service requirements to maturity are as follows:

	<b>Public Works Trust Fund Loans</b>	
Year Ending	Principal	Interest
2018	1,871,920	89,391
2019	5,448,312	77,082
2020	1,103,349	93,690
2021	1,065,043	470,248
2022	1,065,043	122,825
2023-2027	3,791,954	1,036,220
2028-2031	1,407,868	658,541
Totals	15,753,489	2,547,996

#### Installment Contracts

At December 31, 2017, there were no installment contracts.

#### Interfund Loans and Advances

Within the City, one fund may borrow from another when specifically authorized by a City Council resolution. The City has no interfund loan balances at December 31, 2017.

#### **NOTE 7 – LEASES**

##### Operating Lease

The City has contracted with Cascade Water Alliance for water supply from Cascade's permanent capacity to be available either during peak period only or throughout the year.

At December 31, 2017, lease contracts consisted of the following:

<b>Purpose</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Amount of Installment</b>
Cascade Water Alliance	2018	0.00%	2,747,334	391,222

<b>Year Ending</b>	<b>Principal</b>
2018	391,224
<b>Totals</b>	<b>1,173,668</b>

## **NOTE 8 – CHANGES IN LONG-TERM LIABILITIES**

Description	Beginning Bal.		Reductions	Ending Balance	Due in One Year
	1/1/2017	Additions		12/31/2017	
2017 G.O.Bond- BONGO17	4,032,000		-	4,032,000	-
2015 LTGO	7,340,000		235,000	7,105,000	470,000
OPEB Payable	114,259	240,978		355,237	-
Compensated Absences	1,218,962	\$55,208		1,274,170	-
Pension Liability	5,642,787	33,619	1,391,292	4,285,114	-
<b>Total Governmental Activities</b>	<b>18,348,008</b>	<b>329,805</b>	<b>1,626,292</b>	<b>17,051,521</b>	<b>470,000</b>
Business Type Activities					
Public Works Trust Fund Loans:					
PW 98-78898-07 Corrosion Control	44,924		14,975	29,949	14,974
PW 98-78898-08 Lakeridge Pmp Sta.	112,972		37,657	75,315	37,657
PW 98-791-006 Ponderosa Overflow	29,991		14,996	14,995	14,995
PW 00-691-008 McGhee Drive Water	153,226		38,307	114,919	38,306
PW 03-691-003 Spring Source H2O	446,009		63,716	382,293	63,715
PW 04-691-008 Ballpark Well treatmnt	1,429,412		178,677	1,250,735	178,676
PW 04-691-009 Leak Reduction Pgm	1,979,645		247,455	1,732,190	247,456
PW 5-96-791-004 Church Lake Main	-		-	0	0
PC 08-951-004 Leak Reduction II	3,571,645		297,637	3,274,008	297,637
PW 02-691-006 Sumner Trt Plnt	2,238,282		373,047	1,865,235	373,047
PW 04-691-007 Sewer Trt Plnt Upgde	843,600		105,450	738,150	105,450
PW 06-962-ELP-302 Reconst Sewr to	263,158		26,316	236,842	26,316
PC 08-951-005 Reconstruct Swr line	2,348,780		195,732	2,153,048	195,732
PC 12-951-045 Waste Water Treatment Plnt	4,163,367		277,558	3,885,809	277,558
Sutotoal Trust Fund Loans	17,625,011		1,871,523	15,753,488	1,871,519
2007 Water/Sewer Refunding Bonds	\$1,335,000		\$495,000	840,000	425,000
2016 Revenue Bonds-PW Center	\$15,865,000		\$310,000	15,555,000	410,000
Compensated Absences	\$388,106	\$17,513	0	405,619	
Pension Liability	\$982,604		249,814	732,790	
Subtotal Other Debt	18,570,710	17,513	1,054,814	17,533,409	835,000
<b>Total Business Type Activities</b>	<b>36,195,721</b>	<b>17,513</b>	<b>2,926,337</b>	<b>33,286,897</b>	<b>2,706,519</b>

## **NOTE 9 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2017:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ (4,972,191)
Pension assets	\$ 1,449,287
Deferred outflows of resources	\$ 990,936
Deferred inflows of resources	\$ (1,395,731)
Pension expense/expenditures	\$ 347,070

### **State Sponsored Pension Plans**

Substantially all The City of Bonney Lake 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 2017 were as follows:

<b>PERS Plan 1</b>			
<b>Actual</b>	<b>Contribution</b>	<b>Employer</b>	<b>Employee*</b>
<b>Rates</b>			
January - June 2017:			
PERS Plan 1		6.23%	6.00%
PERS Plan 1 UAAL		4.77%	
Administrative Fee		0.18%	
<b>Total</b>		<b>11.18%</b>	<b>6.00%</b>
July - December 2017:			
PERS Plan 1		7.49%	6.00%
PERS Plan 1 UAAL		5.03%	
Administrative Fee		0.18%	
<b>Total</b>		<b>12.70%</b>	<b>6.00%</b>

\* For employees participating in JBM, the contribution rate was 12.26%.

**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 2017 were as follows:

<b>PERS Plan 2/3</b>			
<b>Actual</b>	<b>Contribution</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
<b>Rates</b>			
January – June 2017:			
PERS Plan 2/3		6.23%	6.12%
PERS Plan 1 UAAL		4.77%	
Administrative Fee		0.18%	
Employee PERS Plan 3			varies
<b>Total</b>		<b>11.18%</b>	<b>6.12%</b>
July – December 2017:			
PERS Plan 2/3		7.49%	7.38%
PERS Plan 1 UAAL		5.03%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
<b>Total</b>		<b>12.70%</b>	<b>7.38%</b>

\* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July - December 2017.

The City of Bonney Lake actual PERS plan contributions were \$ 350,356 to PERS Plan 1 and \$476,064 to PERS Plan 2/3 for the year ended December 31, 2017.

### **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. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

<b>PSERS Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – June 2017:		
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.54%</b>	<b>6.59%</b>
July – August 2017:		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.94%</b>	<b>6.73%</b>
September – December 2017		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.95%</b>	<b>6.74%</b>

The City of Bonney Lake actual plan contributions were \$8,343 to PSERS Plan 2 for the year ended December 31, 2017.

### **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 I had no required employer or employee contributions for fiscal year 2017. 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 2017 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January – June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.23%</b>	<b>8.41%</b>
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>

The City of Bonney Lake actual contributions to the plan were \$155,300 for the year ended December 31, 2017.

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, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City of Bonney Lake as its proportionate share of this amount is \$96,692.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to

June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% 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 changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

## **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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated

expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

### **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, 2017, 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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

### **Sensitivity of the Net Pension Liability / (Asset)**

The table below presents the City of Bonney Lake proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City of Bonney Lake's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$ 3,172,695	\$ 2,604,431	\$ 2,112,193
PERS 2/3	6,371,378	2,364,933	(917,754)
PSERS 2	18,979	2,826	(9,838)
LEOFF 1	(103,786)	(139,918)	(170,947)
LEOFF 2	283,346	(1,309,369)	(2,607,047)

### **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, 2017, the City of Bonney Lake reported a total pension liability of \$4,972,190 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 2,604,431
PERS 2/3	2,364,933
PSERS 2	2,826
LEOFF 1	(139,918)
LEOFF 2	(1,309,369)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City of Bonney Lake. The amount recognized by the City of Bonney Lake as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City of Bonney Lake were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	139,918	1,309,369
State's proportionate share of the net pension asset associated with the employer	946,402	849,363
TOTAL	1,086,320	2,158,733

At June 30, the City of Bonney Lake proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	% 0.057688	% 0.054887	% 0.002801
PERS 2/3	0.070335	0.068065	0.002270
PSERS 2	0.00	0.014426	0.014426
LEOFF 1	0.009189	0.009222	0.000033
LEOFF 2	0.097144	0.094357	0.002787

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 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal

year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

### **Pension Expense**

For the year ended December 31, 2017, the City of Bonney Lake recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 11,600
PERS 2/3	310,911
PSERS 2	4,516
LEOFF 1	(22,620)
LEOFF 2	42,663
<b>TOTAL</b>	<b>\$ 347,070</b>

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

At December 31, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (97,190)
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0

Contributions subsequent to the measurement date	\$ 185,684	\$ 0
TOTAL	\$ 185,684	\$ (97,190)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 239,624	\$ (77,779)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (630,434)
Changes of assumptions	\$ 25,120	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 79,958	\$ (202,599)
Contributions subsequent to the measurement date	\$ 267,524	\$ 0
TOTAL	\$ 612,226	\$ (910,812)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (13,002)
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 0	\$ 0
TOTAL	\$ 0	\$ (13,002)



LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,549	\$ (49,653)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (293,963)
Changes of assumptions	\$ 1,577	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 44,043	\$ (28,928)
Contributions subsequent to the measurement date	\$ 81,020	\$ 0
TOTAL	\$ 184,189	\$ (372,544)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,672	\$ (201)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (1,982)
Changes of assumptions	\$ 24	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 2,534	\$ 0
Contributions subsequent to the measurement date	\$ 4,607	\$ 0
TOTAL	\$ 8,837	\$ (2,183)

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1
2018	(65,694)
2019	20,741
2020	(4,816)
2021	(47,421)
2022	
Thereafter	
<b>TOTAL</b>	<b>(97,190)</b>

Year ended December 31	PERS 2/3
2018	(261,457)
2019	22,562
2020	(78,893)
2021	(266,824)
2022	8,044
Thereafter	10,458
<b>TOTAL</b>	<b>(566,111)</b>

Year ended December 31	LEOFF 1
2018	(8,160)
2019	2,201
2020	(879)
2021	(6,164)
2022	
Thereafter	
<b>TOTAL</b>	<b>(13,002)</b>

Year ended December 31	LEOFF 2
2018	(137,089)
2019	28,542
2020	(22,218)
2021	(122,490)
2022	(2,879)
Thereafter	(13,241)
<b>TOTAL</b>	<b>(269,375)</b>

Year ended December 31	PSERS
2018	(198)
2019	581
2020	323
2021	(189)
2022	209
Thereafter	1,321
<b>TOTAL</b>	<b>2,046</b>

#### **NOTE 10 – OTHER POST EMPLOYMENT BENEFITS**

##### **1. Association of Washington Cities Employee Benefit Trust (“Trust”)**

Trust Description: The City of Bonney Lake is a participating employer in the Association of Washington Cities (AWC) Employee Benefit Trust, a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical 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 the nature of the medical and other 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 Association of Washington Cities Employee Benefit Trust at 1076 Franklin Street, Olympia, WA 98501-1346 or calling 1-800-562-8981.

Funding Policy: The plan is administered by a trust or equivalent arrangement in which employer contributions to the trust are irrevocable; plan assets are dedicated to providing OPEB to retirees and their beneficiaries in accordance with the terms of the plan, and plan assets are legally protected from

creditors of the employers or plan administrator.

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Employee Benefit Trust Membership. All the risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) apply to each employer.

The Trust provides that contribution requirements of participating employers and of participating employees, retirees, and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute as follows:

<u>Coverage Type</u>	<u>Monthly Cost</u>
Non-Medicare enrolled retiree only	\$715.00
Non-Medicare enrolled retiree + spouse	\$1,430.00
Medicare enrolled retiree + Non-Medicare enrolled spouse	\$1,286.00
Non-Medicare enrolled retiree + Medicare enrolled spouse	\$1,109.00
Medicare enrolled retiree + Medicare enrolled spouse	\$965.00

Participating employers are contractually required to contribute at a rate assessed each year by the Trust. The City's contributions to the Trust for the year ended December 31, 2017 were \$0, as the City has no participating retirees within the AWC Trust.

GASB reporting standards are required for Post-Employment Benefits Plans Other than Pension Plans, or OPEB. The AWC has chosen to adopt the reporting standards. All costs, liabilities, interest rates, and other factors have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account experience and reasonable expectations); and which, in combinations, offer the best estimate of anticipated experience.

## **2. Law Enforcement Officers and Firefighters (LEOFF)**

Plan Description: As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977, under a defined benefit plan administered by the City. This plan is commonly referred to as LEOFF 1. The City provides LEOFF 1 post-employment benefits for one retired law enforcement employee.

Under the LEOFF 1 healthcare reimbursements, the plan member has no required contributions. The City is required to pay all healthcare expenses incurred by LEOFF 1 retirees. The City's cost is reduced by any amounts retirees receive from Medicare or any other health plans. LEOFF 1 retirees may request reimbursement for healthcare expenses that are not paid by their primary healthcare plan.

Amendments to the plan may be made through State statute.

Membership: Membership in LEOFF 1 includes participants who joined the system by September 30, 1977. As of December 31, 2014, one City employee meets this requirement. This is considered a closed group. No new members are permitted.

Funding Policy: Funding for LEOFF 1 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. Retirees are not

required to contribute any portion of the cost coverage.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post-employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 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 fifteen years as of January 1, 2014.

The City was required to contribute \$252,697 (Annual Required Contribution, or ARC), but only contributed \$3,022.50 at December 31, 2017. For the City's single retired LEOFF 1 member, the City purchased health insurance from LEOFF TRUST Health & for \$2,990.44. The retired law enforcement employee received a benefit contribution of \$6,013 for retiree-only coverage. This differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO).

	12/31/2017
<b>Determination of Required Annual Contribution</b>	
Normal Cost	0
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	252,697
Annual Required Contribution (ARC)	252,697
<b>Determination of Net OPEB Obligation</b>	
Annual Required Contribution (ARC)	252,697
Interest on Net OPEB Obligation	3,659
Net OPEB Obligation Amortization	-9,365
Annual OPEB Cost	246,991
Contributions Made	6,013
Increase in Net OPEB	253,004
Net OPEB Obligation - January 1, 2017	114,259
Net OPEB Obligation - December 31, 2017	355,237

The City's annual OPEB cost, the percentage of OPEB contributed to the plan, and the net OPEB obligation is as follows:

Year	Annual OPEB Cost	Employer Contribution	% of OPEB Contribution	Net OPEB Obligation
2017	246,991	6,013	2.4%	355,237
2016	33,706	8,243	24.5%	114,259
2015	33,706	8,164	24.2%	114,338

2014	29,621	12,147	41.0%	88,796
2013	28,758	11,568	40.2%	72,321
2012	21,578	10,056	46.6%	54,131

As of January 1, 2017, the plan was 0% funded. The accrued liability for benefits was \$2,809,584 and the actuarial valuation of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,809,584.

Methodology and Actuarial Assumptions: The City used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2012 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2012. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 10 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

#### **NOTE 11 – HEALTH & WELFARE**

The City of Bonney Lake is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns.

The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

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

## **NOTE 12 – RISK MANAGEMENT**

The City of Bonney Lake 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 161 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability.

Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other 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.

The City's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the basic premium rate assigned to the business risk classification.

No settlements have exceeded our insurance coverage in the last three years.

#### **NOTE 13 – CONTINGENCIES AND LITIGATIONS**

The City has recorded in its financial statements all material liabilities based upon available information. The City currently has one pending lawsuit that would not be covered by insurance. It is as follows:

*Thun v. City of Bonney Lake, Pierce County Superior Court*

Lawsuit by an owner of property within the City that was rezoned in 2005 from commercial to residential/conservation. The property is on a steep hillside, which the City Council in 2005 concluded was unsuitable for high density development. The property owners allege the rezone is a "taking" of their property without just compensation.

#### **NOTE 14 – INTERFUND BALANCES AND TRANSFERS**



Fund 202 was established for Debt Service and therefore funds were transferred from the General Fund (001) to Debt Service Fund (202). Transfers were also made into the Public Works Construction fund (303) for debt service & receiving bond proceeds.

Interfund transfers at December 31, 2017 were as follows:

	TRANSFER IN:		TRANSFER OUT:
Limited Tax G.O. Refunding Bonds, 2015	\$854,400		
General Fund			\$854,400
Public Works Center CIP	\$6,496,190		
General Fund			\$996,190
General Gov't CIP			\$4,000,000
Water			\$750,000
Sewer			\$525,000
Storm Water			\$225,000
	<b>\$7,350,590</b>		<b>\$7,350,590</b>

**NOTE 15 – Special/Extraordinary Items**

The City had an extraordinary item which was a one-time pay off the debt obligation per Resolution No.2612, for the General fund.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30, 2017  
Last 10 Fiscal Years\*

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.054887	0.057688%	0.062865%					
Employer's proportionate share of the net pension liability	\$	2,604,431	3,098,117	3,288,424					
TOTAL	\$	2,604,431	3,098,117	3,288,424					
Employer's covered employee payroll	\$	6,809,869	7,022,554	6,575,108					
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	38.24%	44.12%	50.01%					
Plan fiduciary net position as a percentage of the total pension liability	%	61.24%	57.03%	59.10%					

**Notes to Schedule:**

NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc using discount rate that is 1-percentage point lower (6.5) or 1-percentage point high (8.5) than current rate

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2, PERS 3  
As of June 30, 2017  
Last 10 Fiscal Years\*

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.068065	0.070335%	0.075823%					
Employer's proportionate share of the net pension liability	\$	2,364,933	3,541,312	2,709,199					
TOTAL	\$	2,364,933	3,541,312	2,709,199					
Employer's covered employee payroll	\$	6,671,857	7,022,554	6,575,108					
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	35.45%	50.43%	41.20%					
Plan fiduciary net position as a percentage of the total pension liability	%	90.97%	85.82%	89.20%					

Notes to Schedule:

NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc using discount rate that is 1-percentage point lower (6.5) or 1-percentage point high (8.5) than current rate

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 1  
As of June 30, 2017  
Last 10 Fiscal Years\*

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.009222	0.009189%	0.009091%					
Employer's proportionate share of the net pension liability	\$	(139,918)	0	0					
<b>TOTAL</b>	\$	(139,918)	0	0					
Employer's covered employee payroll	\$	-	0	0					
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	0.00%	0.00%	0.00%					
Plan fiduciary net position as a percentage of the total pension liability	%	135.96%	123.74%	127.36%					

**Notes to Schedule:**

NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc using discount rate that is 1-percentage point lower (6.5) or 1-percentage point high (8.5) than current rate

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Proportionate Share of the Net Pension Liability

LEOFF 2

As of June 30, 2017  
Last 10 Fiscal Years\*

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.094357	0.097144%	0.101226%					
Employer's proportionate share of the net pension liability	\$	149,059	148,616	146,409					
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer	\$	96,692	96,887	96,806					
TOTAL	\$	245,751	245,503	243,215					
Employer's covered employee payroll	\$	2,946,583	3,063,883	3,391,287					
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	5.06%	4.85%	4.32%					
Plan fiduciary net position as a percentage of the total pension liability	%	113.360%	106.040%	111.670%					

**Notes to Schedule:**

NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc using discount rate that is 1-percentage point lower (6.5) or 1-percentage point high (8.5) than current rate

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake Schedule of Proportionate Share of the Net Pension Liability PSERS 2 As of June 30, 2017 Last 10 Fiscal Years*									
	2017	20XX	20XX	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.014426							
Employer's proportionate share of the net pension liability	\$	2,826							
TOTAL	\$	2,826							
Employer's covered employee payroll	\$	125,073							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	2.26%							
Plan fiduciary net position as a percentage of the total pension liability	%	96.260%							

Notes to Schedule:

NPL calculated using the discount rate of 7.5%  
NPL includes city's proportionate share if calc  
using discount rate that is 1-percentage point  
lower (6.5) or 1-percentage point hight (8.5) than  
current rate

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake  
Schedule of Employer Contributions  
PERS 1  
As of December 31, 2017  
Last 10 Fiscal Years\*

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 350,356	12,789	17,988						
Contributions in relation to the statutorily or contractually required contributions	\$ 350,356	12,789	17,988						
Contribution deficiency (excess)	\$ 0	0	0						
Covered employer payroll	\$ 6,960,828	121,342	177,219						
Contributions as a percentage of covered employee payroll	% 5.03%	10.54%	10.15%						

**Notes to Schedule:**  
*Both Employer & Employee made required contributions*  
*Employer rates include administration expense fee currently set at 0.18%*

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake  
Schedule of Employer Contributions  
PERS 2, PERS 3  
As of December 31, 2017  
Last 10 Fiscal Years\*

	2017	2016	2015	20XX	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 476,064	742,418	657,322						
Contributions in relation to the statutorily or contractually required contributions	\$ 476,064	742,418	657,322						
Contribution deficiency (excess)	\$ 0	0	0						
Covered employer payroll	\$ 6,922,105	6,901,212	6,397,889						
Contributions as a percentage of covered employee payroll	% 6.88%	10.76%	10.27%						

**Notes to Schedule:**  
*Both Employer & Employee made required contributions*  
*Employer rates include administration expense fee currently set at 0.18%*



**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

City of Bonney Lake  
Schedule of Employer Contributions  
LEOFF 2

As of December 31, 2017  
Last 10 Fiscal Years\*

	2017	2016	2015	20xx	20xx	20xx	20xx	20xx
Statutorily or contractually required contributions	\$ 160,567	154,451	151,552					
Contributions in relation to the statutorily or contractually required contributions	\$ 160,567	154,451	151,552					
Contribution deficiency (excess)	\$ 0	0	0					
Covered employer payroll	\$ 3,011,127	2,952,515	2,922,377					
Contributions as a percentage of covered employee payroll	5.33%	5.23%	5.19%					

**Notes to Schedule:**

LEOFF employees - BL Police Department

Number of participants: 48 (June 2015)

Contribution rates: Employer 5.23% - includes employer administrative expense fee currently set at 0.18%

**Actuarial Assumptions:**

Inflation: 3% total economic inflation; 3.75% salary inflation

Salary increases: base 3.75% inflation assumption; plus growth due to promotions & longevity  
Employer & Employee met all contribution requirements

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake Schedule of Employer Contributions PSERS 2 As of December 31, 2017 Last 10 Fiscal Years*									
	2017	20xx	20xx	20xx	20xx	20xx	20xx	20xx	20xx
Statutorily or contractually required contributions	\$ 8,343								
Contributions in relation to the statutorily or contractually required contributions	\$ 8,343								
Contribution deficiency (excess)	\$ 0								
Covered employer payroll	\$ 125,073								
Contributions as a percentage of covered employee payroll	% 6.67%								

**Notes to Schedule:**  
LEOFF employees - BL Police Department  
Number of participants: 48 (June 2015)  
Contribution rates: Employer 5.23% - includes employer administrative expense fee currently set at 0.18%  
Actuarial Assumptions:  
Inflation: 3% total economic inflation; 3.75% salary inflation  
  
Salary increases: base 3.75% inflation assumption; plus growth due to promotions & longevity  
Employer & Employee met all contribution requirements

City of Bonney Lake  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget to Actual  
For the Year Ended December 31, 2017

	Budget Amounts			
	Approved Original Budget 2017-2018 Biennium	Approved Revised Budget 2017-2018 Biennium	Actual Biennium Through 12/31/2017	Variance with Final Budget Over (Under)
REVENUES				
Taxes	\$ 22,686,434	\$ 22,686,434	\$ 12,412,239	(10,274,195)
Licenses and permits	1,828,173	1,828,173	979,802	(848,371)
Intergovernmental	2,428,348	2,428,348	3,131,479	703,131
Charges for services	5,133,309	6,382,260	1,768,565	(4,613,695)
Fines and forfeitures	966,552	966,552	456,822	(509,730)
Miscellaneous	540,900	540,900	66,703	(474,197)
Other	1,080,000	1,080,000	245,914	(834,086)
Fund Balance-Beginning	3,222,249	4,536,431		
Total revenues	37,885,965	40,449,098	19,061,524	(16,851,143)
EXPENDITURES				
Current:				
General Government	10,790,832	11,826,832	4,811,576	(7,015,256)
Public safety	12,278,837	12,278,837	5,963,386	(6,315,451)
Utilities and environment				-
Transportation	3,914,944	3,914,944	1,795,270	(2,119,674)
Economic environment	1,799,733	1,799,733	879,529	(920,204)
Culture and recreation	2,109,227	3,636,308	1,285,223	(2,351,085)
Social services	847,350	847,350	347,110	(500,240)
Debt Service	2,833,550	2,833,550	1,029,504	(1,804,046)
Capital Outlay	83,500	83,500	34,508	(48,992)
Fund Balance--Ending projected	3,227,992	3,228,044		
Total expenditures	37,885,965	40,449,098	16,146,106	(21,074,948)
Excess (deficiency) of revenues over expenditures	-	-	2,915,418	4,223,805
OTHER FINANCING SOURCES (USES)				
Disposal of Capital Asset/Bond issued			1,080,000	1,080,000
Other Contributions	-	-	(1,370)	(1,370)
Transfers out			(926,782)	(926,782)
Total other financing sources (uses)	-	-	151,848	151,848
Net change in fund balances	-	-	3,067,266	4,375,653

**CITY OF BONNEY LAKE**  
**Required Supplementary Information**  
**For the Year ended December 31, 2017**  
**for LEOFF 1 Retiree Medical Benefits**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
12/31/2009	0	242,411	242,411	0%	0	0%
12/31/2010	0	235,963	235,963	0%	0	0%
12/31/2011	0	244,302	244,302	0%	0	0%
12/31/2012	0	254,531	254,531	0%	0	0%
12/31/2013	0	349,795	349,795	0%	0	0%
12/31/2014	0	368,946	368,946	0%	0	0%
12/31/2015	0	424,065	424,065	0%	0	0%
12/31/2016	0	424,065	424,065	0%	0	0%
12/31/2017	0	2,809,584	2,809,584	0%	0	0%

**Schedule of Employer Contributions**  
**for LEOFF 1 Retiree Medical Benefits**

<b>Fiscal Year Ending</b>	<b>Payments</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>
12/31/2009	6,852	22,572	30.4%
12/31/2010	7,608	21,971	34.6%
12/31/2011	8,748	21,787	40.2%
12/31/2012	11,568	23,700	48.8%
12/31/2013	11,568	31,461	36.8%
12/31/2014	12,147	33,183	36.6%
12/31/2015	8,164	38,141	21.4%
12/31/2016	8,243	38,141	21.6%
12/31/2017	6,013	252,697	2.4%

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was the Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>