



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

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

## **City of Olympia**

**For the period January 1, 2018 through December 31, 2018**

**Published July 29, 2019**

**Report No. 1024320**





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

July 29, 2019

Mayor and City Council  
City of Olympia  
Olympia, Washington

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Olympia January 1, 2018 through December 31, 2018

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

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

#### Financial Statements

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

Internal Control over Financial Reporting:

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

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

#### Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

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

## **Identification of Major Federal Programs**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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

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

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

See finding 2018-001.

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

None reported.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Olympia January 1, 2018 through December 31, 2018

**2018-001    The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate financial reporting.**

#### ***Background***

City council, state and federal agencies, and the public rely on the information included in governmental financial statements and reports to make decisions. City management is responsible for designing and maintaining internal controls to ensure financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP) and provide reasonable assurance regarding the reliability of financial reporting. Our audit identified material weaknesses in internal controls over financial reporting that affected the City's ability to produce reliable financial statements.

*Government Auditing Standards* requires that the auditor communicate a material weakness as a finding.

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

We identified the following deficiencies in internal controls:

- The review process of journal entries was not effective in detecting and correcting errors before entries were posted to the general ledger and included in the financial statements.
- The City incorrectly netted the amortization of deferred outflows and deferred inflows related to pension balances, which resulted in inaccurate allocations between funds.
- The City did not detect a reporting error related to the presentation of unearned revenue in the H.U.D. Fund.
- The City's review process lacked sufficient analysis to evaluate the accuracy of the financial statements.

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

The City prepares multi-fund financial statements in accordance with GAAP. These financial statements are complex, and reporting requirements change frequently. The City experienced staff turnover during fiscal year 2018 in key positions responsible for preparing the financial statements. As a result, the City was unable to dedicate sufficient resources to ensure accurate reporting or perform an effective review of the final financial statements.

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

Our audit of the City's financial statements identified the following:

- The City over-reported a receivable account by \$522,224 in the Home Construction in Progress Fund; sales tax revenue was over-reported by the same amount.
- The financial statements included classifications errors as follows:

Financial Statement Balance	Over/(under) reported
General Government Program Revenues from Capital Grants and Contributions	\$3,390,681
Transportation Program Revenues from Capital Grants and Contributions	(\$1,559,862)
Culture and Recreation Program Revenues from Capital Grants and Contributions	(\$1,830,819)
Deferred Inflow - Related to Receivables	\$1,511,403
Deferred Inflow - Related to Pensions	(\$1,511,403)

- The City over-reported unearned revenue in the H.U.D. Fund by \$4,400,112 and under-reported the restricted net position by the same amount. Because the Government Fund financial statements are reported on a modified accrual basis of accounting, the non-current portion of Notes/Contracts/Loans receivable should be reported as a restricted fund balance.
- In total, the City over-reported its pension expense by \$625,781. Additionally pension related balances were incorrectly allocated to the individual funds due to the City's misunderstanding of reporting requirements.

We also identified other minor errors in the Management's Discussion and Analysis and the Notes to the Financial Statements. The City corrected the errors noted in the final financial statements.

## ***Recommendation***

We recommend the City strengthen its review of journal entries. It should also ensure that someone familiar with applicable reporting requirements perform an independent review of the financial statements, notes and additional schedules, at the appropriate level of detail to ensure information prepared is complete and accurate. In addition, the City should consider using the Pensions reporting tool provided by the Office of the Washington State Auditor to ensure that pension balances are accurately calculated.

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

*The City of Olympia would like to thank the State Auditor's Office for its review of the City's financial statements and for the opportunity to provide a response to the audit finding related to internal controls. The City is committed to the internal control processes in relation to all aspects of financial reporting. The City will ensure changes are made to mitigate the future risk brought forward by this audit.*

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

We appreciate the City's commitment to resolve this finding. We will review the corrective action taken during our next regular audit. We thank management for its cooperation and assistance during the audit.

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

Statement No. 45 of the Governmental Accounting Standards Board

Statement No. 54 of the Governmental Accounting Standards Board

Statement No. 68 of the Governmental Accounting Standards Board

RCW 43.09.200 Local government accounting – Uniform system of accounting

Government Auditing Standards, December 2011 Revision, paragraph 23

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 115

*Budgeting, Accounting, and Reporting System (BARS) manual – Accounting, Accounting Principles and Internal Control*



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

**City of Olympia  
January 1, 2018 through December 31, 2018**

Mayor and City Council  
City of Olympia  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Olympia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 27, 2019. As discussed in Note 19 to the financial statements, during the year ended December 31, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**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 2018-001 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

June 27, 2019

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

**City of Olympia  
January 1, 2018 through December 31, 2018**

Mayor and City Council  
City of Olympia  
Olympia, Washington

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

We have audited the compliance of the City of Olympia, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

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

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

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

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

### **Purpose of this Report**

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

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

Pat McCarthy  
State Auditor  
Olympia, WA

July 17, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Olympia January 1, 2018 through December 31, 2018

Mayor and City Council  
City of Olympia  
Olympia, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Olympia, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 19.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Olympia, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 19 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## **Matters of Emphasis – Correction of Prior Year Misstatements**

As discussed in Note 19 to the financial statements, the City's 2017 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 19 be presented to supplement the basic financial statements. Such information, although not a part of



the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 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 cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

June 27, 2019

## FINANCIAL SECTION

### City of Olympia January 1, 2018 through December 31, 2018

#### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

#### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet – Governmental Funds – 2018

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2018

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2018

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Fiduciary Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

Notes to the Financial Statements – 2018

#### REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual General Fund – 2018

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, PSERS 2 and LEOFF 2 – 2018

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS 2 and LEOFF 2 – 2018

Firemens' Pension Fund Plan – Schedule of Changes in Net Position Liability and Related Ratios – 2018

Firemens' Pension Plan – Schedule of Contributions – 2018  
Firemens' Pension Fund Plan – Schedule of Investment Returns – 2018  
Changes in Total OPEB Liability – 2018

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2018  
Notes to the Schedule of Expenditures of Federal Awards – 2018

## Management's Discussion and Analysis

This management's discussion and analysis (MD&A) is an overview of the financial activity of the City of Olympia for the year ended December 31, 2018. The MD&A is included in the scope of the financial audit by the State of Washington, State Auditor's Office. We encourage readers to consider this information in conjunction with additional information that we have furnished in the letter of transmittal, which is not included in the scope of the audit, and can be found at the beginning of this document.

### Using this Report

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

### Financial Highlights

- The assets and deferred outflows of the City of Olympia exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$349.3 million (net position). Of this amount, \$23.6 million represents unrestricted net position; of which \$7.0 million is a deficit in unrestricted net position of the Governmental Activities and \$30.6 million is unrestricted net position of the Business Type Activities. The deficit in Governmental Activities is related to Pension and OPEB liabilities. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City of Olympia's governmental funds reported a combined fund balance of \$68.8 million, a \$17.3 million increase in comparison with the prior year. Approximately 23 percent of this amount (\$15.8 million) is available for spending at the government's discretion (unassigned fund balance). Approximately 29.8 percent of this amount (\$20.5 million) would require council action to re-allocate the resources (assigned and committed fund balance). The remaining 47.1 percent (\$32.4 million) is not available for discretionary spending (nonspendable and restricted fund balance).

### Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City of Olympia's basic financial statements. The City's basic financial statements consist of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. The notes to the financial statements.

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### Government-Wide Financial Statements

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

Government-wide statements are presented in two groups:

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

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

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

#### Statement of Net Position

This statement provides information on all of the City of Olympia's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of

whether the financial position of the City of Olympia is improving or deteriorating. The statement presents separately a roll-up of all Governmental activities and Business-Type activities. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, known as net position, is one way to measure the financial status of the City.

#### Statement of Activities

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

#### **Fund Financial Statements**

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

#### Governmental Funds

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

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

#### Proprietary Funds

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

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

#### Fiduciary Funds

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

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

#### **Notes to the Financial Statements**

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

#### **Other Information**

Following the Notes to the Financial Statements, the City presents the required supplementary information (RSI). Within the RSI the City reports on its General Fund Budget, its proportionate share of the state sponsored pension plans, its contributions to the state sponsored pension plans, and its obligation to provide pension and other post-employment benefits (OPEB) for its Fire Pension and LEOFF 1 employees. The only OPEB obligation of the City is to the 65 qualifying police officers and firefighters hired prior to October 1, 1977. Additional financial information and data is provided in the combining statements, other supplementary information, and statistical information, which follow the RSI.

### Government-wide Overall Financial Analysis Statement of Net Position.

As discussed earlier, net position over time may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$349.3 million as of December 31, 2018. The following statement provides information on all assets and liabilities of the City.

Summary of Statement of Net Position (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current Assets	\$80.6	\$76.1	\$37.9	\$32.0	\$118.5	\$108.1
Other Assets	22.0	17.3	1.3	1.3	23.3	18.6
Capital Assets	258.6	248.7	128.3	127.6	386.9	376.3
Total Assets	361.62	342.1	167.5	160.9	528.7	503.0
Deferred Outflows of Resources	4.2	3.8	0.8	0.8	5.0	4.6
Total Deferred Inflows of Resources	4.2	3.8	0.8	0.8	5.0	4.6
Current Liabilities	29.0	13.8	5.6	6.9	34.6	20.7
Unearned Revenue	2.5	7.1	0.0	0.0	2.5	7.1
Non-Current Liabilities	97.5	97.4	38.7	34.8	136.2	132.2
Total Liabilities	133.4	118.3	44.3	41.7	173.3	160.0
Deferred Inflows of Resources	9.5	5.6	1.5	1.0	11.0	6.6
Total Deferred Inflows of resources	9.5	5.6	1.5	1.0	11.0	6.6
Net Position						
Net Investment in Capital Assets	181.9	178.1	90.6	95.7	272.5	273.8
Restricted	51.9	40.9	1.3	1.3	53.2	42.2
Unrestricted	(7.0)	3.0	30.6	22.0	23.6	25.0
Total Net Position	\$226.8	\$222.0	\$122.5	\$119.0	\$349.3	\$341.0

The largest portion of the City's net position is its net investment of capital assets. This category makes up 78.0 percent of the City's total net position and though the City uses these capital assets to provide services to its citizens, these assets are not available for future spending.

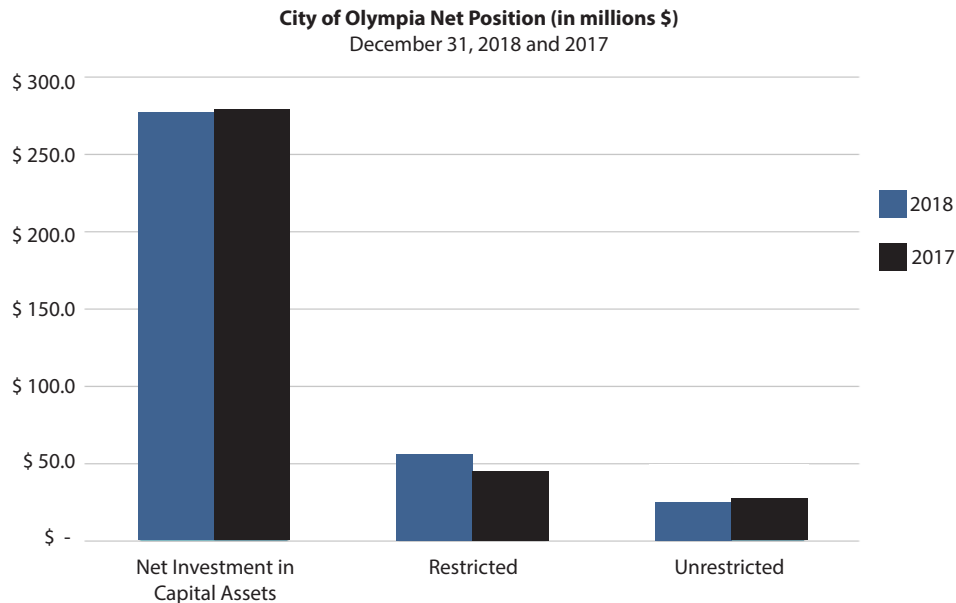
Restricted net position, makes up 15.2 percent of the total net position and represents the resources that are subject to external restrictions on how they may be used. These restrictions include debt covenants, laws (enabling legislation), grant requirements, or other legal or contractual reason which imposes a limit on the use of the assets which is outside the control of the City.

The remaining balance of \$23.6 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. Although this amount is unrestricted, a significant portion has been reserved or set aside for various purposes.

Shown in the following chart are the funds and categories of net position. The restricted net position for the General Fund consists mostly of \$14.5 million in net pension assets (see note 7), the \$2.6 million in assets of the OPEB Fund, \$0.6 million in prepaid items and inventory and \$0.3 million in custodial accounts.

Allocation of Net Position (in million \$)			
	Investment in Capital Assets	Restricted	Unrestricted
General Fund	\$174.6	\$17.8	\$(18.4)
Special Revenue Funds			
HUD Program	-	4.4	-
Impact Fees and Mitigation Fees	-	9.4	-
Lodging Tax and Utility Tax	-	5.9	-
Home Fund	-	0.3	-
Parking and Transportation	-	8.1	-
Culture and Entertainment	-	3.4	-
Debt Service	-	0.2	-
Capital Projects			
General Capital Improvements	-	-	6.8
Home Fund Capital	-	-	(0.6)
Internal Services			
Equipment Rental	7.3	-	4.5
Risk Management	-	-	0.1
Unemployment, Workers' Compensation	-	2.4	0.6
Total Governmental Activities	181.9	51.9	(7.0)
Utility Operations			
Drinking Water and Wastewater	69.4	1.3	24.8
Waste Resources	0.3	-	1.9
Storm and Surface Water	21.0	-	3.9
Total Utility Operations	90.7	1.3	30.6

At the end 2018 Governmental Activities net position increased \$4.8 million and Business-Type Activities increased \$3.5 million. Overall net position of the City increased \$8.3 million from the prior fiscal year. The reasons for the changes are discussed in the following sections for governmental activities and business-type activities.



#### Governmental Activities

During the fiscal year, net position for governmental activities increased by \$4.8 million, to balance to \$226.8 million. Most of the increase in Net Position is due to a reclassification of the Long Term portion of HUD Loans Receivable to Restricted Fund Balance. During the fiscal year The City assets increased \$19.1 million from previous years. The majority of this increase was \$9.9 million in capital assets which is directly related to land purchases by the Parks and Recreation Department as well buildings purchased from Economic Development funding and the Home Fund. In 2018 current assets increased by \$5 million which is directly related to an increase in receivables from other governmental units as well as interfund loan receivables. The City issued three interfund loans in 2018 and had some large grant billings outstanding. The \$0.4 million increase in deferred outflow of resources and the \$3.9 million increase in deferred inflow are related to the changes in State Pension plans.

In 2018 there was an increase of \$15.2 million in current liabilities, of that \$10 million is due to a Bond Anticipation Note the Parks and Recreation Department currently has that is due in full in 2019. The City is refinancing this debt in 2019 to extend the BAN to later refinance into a long term debt. Another \$1.5 million is related to interfund loans, in the fiscal year. The City issued three interfund loans totaling \$1.5 million dollars. These loans were made to fund fire equipment, purchase of land by the Home Fund, and a loan to the HUD Fund. The remaining current liabilities are attributed to compensated absences and general accounts payable.

#### Business-Type Activities

During the fiscal year, net position for business-type activities increased by \$3.5 million, to a balance of \$122.5 million. While there was not a significant change in the Business-Type Activities net position, increases are seen in current assets and non-current liabilities. The \$5.9 million increase in current assets is from a \$4.6 million increase in cash and investments, with the remaining \$1.3 million as an increase in receivables due to the City. The increase in non-current liabilities is the result of notes and bond payments due. The \$0.5 million increase in deferred inflows of resources are related to the deferred inflows for pensions, which are related to the pension plans discussed in detail in Note 7. More information on these changes can be found in Note 7 Pension Plans and Note 9 Long Term Liabilities.



## Statement of Activities

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

Statement of Changes in Net Position (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program Revenues						
Charges for Service	\$24.5	\$23.9	\$52.8	\$52.4	\$77.3	\$76.3
Operating Grants and Contributions	6.4	5.3	0.3	0.2	6.7	5.5
Capital Grants and Contributions	3.5	1.2	0.4	0.3	3.9	1.5
General Revenues:						
Property Taxes	21.9	18.9	-	-	21.9	18.9
Utility and B&O Taxes	15.9	21.6	-	-	15.9	21.6
Sales and Other Taxes	24.5	27.5	-	-	24.5	27.5
Other General Revenues	5.5	4.2	1.2	1.0	6.7	5.2
<b>Total Revenues</b>	<b>102.2</b>	<b>102.6</b>	<b>54.07</b>	<b>53.9</b>	<b>156.9</b>	<b>156.5</b>
<b>Program Expenses</b>						
General Government	23.2	27.1	-	-	23.2	27.1
Public Safety	36.5	35.3	-	-	36.5	35.3
Transportation	9.2	13.0	-	-	9.2	13.0
Economic Environment	7.2	5.9	-	-	7.2	5.9
Mental and Physical Health	0.9	0.1	-	-	0.9	0.1
Culture & Recreation	15.9	10.6	-	-	15.9	10.6
Interest on Government Debt	3.2	3.4	-	-	3.2	3.4
Drinking Water and Wastewater	-	-	33.1	32.9	33.1	32.9
Waste Resources	-	-	12.0	11.4	12.0	11.4
Storm and Surface Water	-	-	5.9	6.7	5.9	6.7
<b>Total Expenses</b>	<b>96.1</b>	<b>95.4</b>	<b>51.0</b>	<b>51.0</b>	<b>147.1</b>	<b>146.4</b>
Excess(deficiency) before transfers	6.1	7.2	3.7	2.9	9.8	10.1
Transfers (net)	0.2	0.2	(0.2)	(0.2)	-	-
<b>Increase(decrease) in Net Position</b>	<b>6.3</b>	<b>7.4</b>	<b>3.5</b>	<b>2.7</b>	<b>9.8</b>	<b>10.1</b>
<b>Net Position - beginning</b>	<b>222.0</b>	<b>216.9</b>	<b>118.9</b>	<b>116.3</b>	<b>341.0</b>	<b>333.2</b>
Prior Period Adjustment	4.4	(2.3)	-	-	4.4	(2.3)
GASB 33 Adjustment	9.9	-	-	-	9.9	-
GASB 75 Adjustment	(15.8)	-	-	-	(15.8)	-
<b>Net Position - ending</b>	<b>\$226.8</b>	<b>\$222.0</b>	<b>\$122.5</b>	<b>\$119.0</b>	<b>\$349.3</b>	<b>\$341.0</b>

## Governmental Activities

During the fiscal year, net position for governmental activities increased by \$4.5 million, to a balance of \$226.5 million. The significant portion of this change is due to a reclassification of the Long Term Portion of HUD Loans Receivable from Unearned Revenue to Restricted Fund Balance. In 2018, program expenses increased by \$0.7 million from 2017. The increase can be attributed to an increase in our operating and capital grants received.

In 2018 the City reevaluated GASB 33. The City now accrues certain taxes and other revenues that are received 60 days after the close of the year. The implementation of GASB 33 created a prior period adjustment on the Statement of Changes in Net position of \$9.9 million as well as a change in revenues.

In 2018 GASB 45 was superseded by GASB 75 relating to OPEB. This new statement changed the way the City accounts for its OPEB liability and expense, requiring the City to recognize the entire expense and liability in the fiscal reporting year. To implement, the City had to remove GASB 45 liability increasing Fund Balance by \$11.6 million and implement the GASB 75 which decreased fund balance by \$27.4 million. The change in accounting methods increased the City overall OPEB Liability. This net adjustment of \$15.8 million to fund balance is a one-time adjustment for implementation only. To learn more about this GASB 75 OPEB see note 17.

In 2018 a voted increase of 0.1 percent to sales tax was approved to fund housing related activities. The City began collecting these funds in September 2018. This increase brought the City's sales tax rate to 8.9 percent. The City created two new funds to manage this new revenue source, the Home Fund Operating Fund and the Home Fund Capital Fund. In 2018 there was an increase in expense of \$1.3 million in economic environment, which was directly related to the tax increase.

During the fiscal year Public Safety saw an increase in expenses of \$1.1 million, this is related to the passage of the Public Safety Lid Lift which provided \$2.8 million to move forward with vital community programs and services in 2018. This level supported Community Court, expanded Downtown Walking Patrol, a new Code Enforcement Officer, a Mental Health Crisis Response Team, Police Neighborhood Liaisons, and enhanced training for our Police Department.

Culture and Recreation saw a large increase in spending from 2017 to 2018, this is attributed to the increase in land purchases made by the Parks Department. In 2017 The City began collecting OMPD funds which were utilized in 2018 along with other sources to acquire some large acquisitions for this department, of them the biggest was The Zahn Property a \$10.7 million dollar piece of land the City bought to build a play fields and parks on.

Transportation had a \$3.8 million dollar decrease in expense in 2018 compared to 2017, this is a combination of a few large projects finishing in 2017 that were grant funded as well as Transportation saving money for future multi-modal transportation projects scheduled to take place in 2020 and 2021 downtown.

The graph to the right shows regular sales tax collections for the past 10 years, excluding the voter approved sales tax for public safety and criminal justice. The 2018 General Fund sales tax collections increased approximately \$16,000 over 2017 sales tax collections. The sales tax reported in 2018 includes the effect of the GASB 33 adjustment referenced above. In 2018 the voters increased sales tax rates 0.1 percent to 8.9 percent to create the Home Fund.

#### Business-Type Activities

Charges for services are the main source of revenue for the business-type activities of the City, as required by state law. Charges for service revenues were up \$0.4 million, primarily due to rate increases.

The 2018 rate increases were as follows:

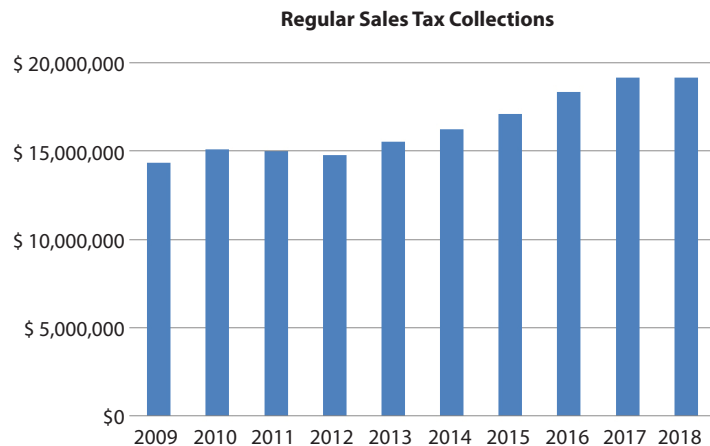
- Drinking Water rates increased to provide an overall revenue increase of 4.4 percent
- Wastewater LOTT sewage treatment rates increased 2 percent
- Wastewater collection system revenue increase of 2 percent
- Stormwater revenue increase of 4 percent
- Solid Waste rates increased by 6 percent for residential and 5 percent for commercial

The City of Olympia Utility Advisory Committee reviews rates and increases and makes recommendations to the City Council. Utility rates are designed to smooth out rate impacts over several years, and take into account long-term planning of the utilities to ensure that the City can meet the needs of users today and in the future.

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

#### Financial Analysis of Governmental Funds

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



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

#### Governmental Funds

At December 31, 2018, the City of Olympia's governmental funds reported a combined fund balance of \$68.8 million, an increase of \$17.3 million in comparison with 2017. Approximately 24 percent of this amount, \$16.5 million, is unassigned fund balance. The remainder of fund balance is either nonspendable, restricted, committed, or assigned to indicate that the resources are:

- 1.) Not in a spendable form or legally required to be maintained intact,
- 2.) Restricted by external sources for particular purposes,
- 3.) Committed for particular purposes, or
- 4.) Assigned for particular purposes.

The chart below shows the allocation of fund balance for governmental funds, for the years ended December 31, 2018 and 2017. For more detailed information about fund balance, see the Fund Balance Details section of Note 1.E.

Statement of Governmental Fund Balance (in million \$)			
	2018	2017	Difference
<b>General Fund</b>			
Nonspendable	\$0.4	\$0.2	\$0.2
Restricted	0.3	0.2	0.1
Committed	9.1	9.0	0.1
Assigned	3.9	2.9	1.0
Unassigned	16.5	8.8	7.7
Total General Fund	\$30.2	\$21.1	\$9.1
<b>All Other Governmental Funds</b>			
Restricted	\$31.7	\$25.9	\$5.8
Committed	-	0.2	(0.2)
Assigned	7.6	4.3	3.1
Unassigned	(0.7)	-	(0.7)
Total All Other Governmental Funds	\$38.6	\$30.4	\$8.2
Total Governmental Fund Balance	\$68.8	\$51.5	\$17.3

The General Fund is the main operating fund of the City of Olympia. The General Fund holds up to 100 percent of the unassigned fund balance. In 2018 the General Fund's, unassigned fund balance increased \$9.1 million due to the GASB 33 adjustment addressed above as well as continuing appropriations.

All other governmental funds include special revenue funds, debt service funds, and capital project funds. Their combined fund balance increased in 2018 by \$8.2 million. The majority of this increase can be found in restricted and assigned fund balance, a result of collections of restricted voted sales tax, an increase due to a reclassification of Long Term HUD Loans Receivable to fund balance as well as an increase in our Net Pension Asset. The remaining major governmental funds, Impact Fee Fund, Lodging Tax Fund, and Capital Improvement Fund did not experience significant changes in fund balance from 2017 to 2018.

## Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail by disclosing information related to the individual utilities. Information regarding the individual internal service funds can be found in the combining statements section of this report. The following chart shows the allocation of net position for the proprietary funds, for the years ended December 31, 2018 and 2017.

Statement of Proprietary Fund Net Position (in million \$)								
	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds	
	Drinking Water / Wastewater Utility		Waste Resources Utility		Storm and Surface Water Utility		2018	2017
	2018	2017	2018	2017	2018	2017		
<b>NET POSITION</b>								
Net Investment In Capital Assets	\$69.3	\$73.8	\$0.3	\$0.3	\$21.0	\$21.6	\$7.3	\$7.2
Restricted For:								
Bond Reserve Fund	1.3	1.3	-	-	-	-	-	-
Workers Comp Reserve	-	-	-	-	-	-	2.4	2.4
Unrestricted (Deficit)	24.8	17.2	1.9	1.5	3.9	3.3	5.2	4.5
Total Net Position	\$95.4	\$92.3	\$2.2	\$1.8	\$24.9	\$24.9	\$14.9	\$14.1

The 2018 total net position of the business type activities (the utility funds) increased by \$3.5 million from the prior year. The utilities continue their efforts to implement their capital plan, which is focused on water storage and planning for future system capacity.

## Capital Assets and Debt Administration

The City of Olympia is committed to investing in the existing infrastructure and capital assets of both the governmental and proprietary funds. As of December 31, 2018, the City's investment in capital assets, including work in progress, for its governmental and business type activities amounts to \$386.9 million (net of accumulated depreciations).

Capital Assets at Year End, Net of Depreciation (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	73.1	60.6	4.7	4.7	77.8	65.3
Building	71.6	72.9	3.0	2.9	74.6	75.8
Improvements other than buildings	21.3	22.2	102.6	105.9	123.9	128.1
Equipment	11.8	11.8	1.1	1.2	12.9	13.0
Infrastructure	72.8	77.9	-	-	72.8	77.9
Intangible Assets	-	-	2.8	2.9	2.8	2.9
Work in Process	8.0	3.3	14.1	10.0	22.1	13.3
Total	\$258.6	\$248.7	\$128.3	\$127.6	\$386.9	\$376.3

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

- Purchase for Economic Development and Housing Related Activities: 112 4th Avenue \$0.95 million, 2828 Martin Way \$1.35 million, 911 Adams Street \$0.3 million,
- Acquisition of the following park lands: Yelm Highway Property \$10.7 million, Lilly Rd Parcel \$0.4 million, Karen Fraser Woodland Trail \$0.3 million
- Completion of Bike Corridor Permanent Improvement Project \$0.5 million
- The City added work in process of the following Water Utility Project: AC Pipe Replacement Boulevard Roundabout \$0.35 million

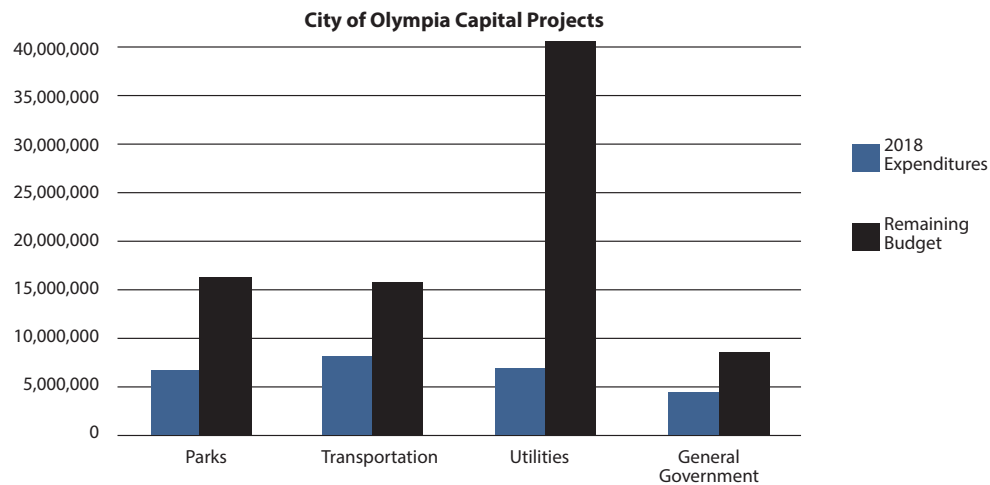
Capital Assets are affected by various additions and deletions, and by depreciation. Additions are from the purchase and/or construction of capital assets, current year work in process expenses, or from donations to the City. Deletions are from the sale or loss (accident or damage) of a capital asset.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

Summary of Capital Asset Additions and Deletions (in million \$)			
	Governmental Activities	Business-Type Activities	Total Primary Government
Beginning Balance (Net)	\$248.7	\$127.6	\$376.3
Additions	21.6	5.2	26.8
Deletions	( 1.8)	0.0	( 1.8)
Depreciation (Net)	( 9.8)	( 4.5)	( 14.3)
Ending Balance (Net)	<u>\$258.7</u>	<u>\$128.3</u>	<u>\$387.0</u>

### Capital Asset Activities

The City continues to place major emphasis on preserving and maintaining the existing buildings, parks, streets, and utility infrastructure. During 2018, the City expended approximately \$25.7 million from its capital project related funds, and at the end of 2018 the City had approximately \$81.2 million of approved budget for the continuation of projects.

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



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

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

### Long-Term Debt

The City had \$113.7 million of long-term debt outstanding at December 31, 2018, a \$4.6 million increase in Governmental Activities and a \$5.7 million increase in Business Type Activities when compared to the outstanding amounts at December 31, 2017.

City of Olympia Outstanding Debt (in million \$)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$55.8	\$57.8	\$-	\$-	\$55.8	\$57.8
Enterprise Revenue Bonds	-	-	13.6	15.1	13.6	15.1
WA State Trust Fund Loans	1.2	1.8	0.9	1.0	2.1	\$2.8
Other Loans	18.7	11.5	23.5	16.2	42.2	27.7
Total Long-Term Debt	<u>\$75.7</u>	<u>\$71.1</u>	<u>\$38.0</u>	<u>\$32.3</u>	<u>\$113.7</u>	<u>\$103.4</u>

The City's Governmental Activities increased debt in 2018 in the form of draws on the 2016 BAN in the amount of \$1.2 million to purchase Park land. In addition to the BAN, the City issued three interfund loans. The first loan is \$1.35 million to purchase a building for housing improvements, \$85,000 for the Fire Departments fleet, and \$100,000 to the HUD fund. In 2018 the Business Type Activities drew against previously authorized long term debt in the form of the Drinking Water State Revolving Fund Loan (DWSRF) for the Fones Road Booster Pump Stations, McAllister Wellfield Corrosion Control Facility, and SW Olympia Reservoir projects. The authorized \$1.9 million Fones Road Booster Pump Stations DWSRF loan is a low interest loan and at December 31, 2018, total draws amounted to \$0.9 million. The authorized \$4.1 million McAllister Wellfield Corrosion Control Facility DWSRF loan is a low interest loan and at December 31, 2018, total draws amounted to \$1.9 million. The authorized \$12 million Reservoir DWSRF loan is a low interest loan and at December 31, 2018, total draws amounted to \$5.8 million. In 2017 the Washington State Legislature did not pass the capital budget resulting in the suspension of all DWSRF loan draw requests. In January 2018 the capital budget was passed allowing the City to submit the suspended 2017 expenses in the form of loan draw requests. The long term debt in 2018 reflects the \$5.3 million draw total for the 2017 delay of loan draws. Looking forward in 2019 the City \$10 million dollar BAN is due, this is reflected as a current liability drastically increasing our liabilities. The City is issuing debt to cover this short-term loan with a long-term debt issuance, that will roll the BAN into more permanent debt.

The latest bond rating for City of Olympia general obligation bonds was Aa2 from Moody's and AA from Standard & Poor's. The City of Olympia insured bond issues prior to 2009 and therefore those issues have the credit rating of the underlying insurance company.

The chart below shows the credit ratings of both our bond insured issues and ratings for the uninsured bonds issued after 2009.

Bond	Insured By	Moody's Rating	S&P Rating
2007 Water/Sewer	FSA	A1	AAA
2009 City Hall LTGO	N/A	Aa2	AA
2009 City Hall BABS	N/A	Aa2	AA
2009 Fire Station LTGO	N/A	Aa3	AA
2010 Streets Projects LTGO	N/A	Aa2	AA
2010B HOCM LTGO	N/A	Aa2	AA
2013 WA Center, LED, and Parks LTGO	N/A	Aa2	AA
2013 Water/Sewer	N/A	Aa3	AA

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

#### General Fund Original Budget Compared to Final Budget

During the year the General Fund budget increased by \$11.9 million, including transfers out. Major increases were:

Continuing Appropriations from 2016.....	\$ 9,000,000
Operation increases related to business needs, and personnel costs.....	\$ 2,900,000

#### General Fund Final Budget Compared to Actual Results

The General Fund budget, excluding transfer in and transfer out budgets, varied from actuals as follows: revenue actuals were \$44,719 under the final revenue budget of \$82.5 million and expenditure actuals were \$10.8 million less than the expenditure budget of \$94.7 million. Significant budgetary variances between the final amended budget and actual results included the \$9 million of continuing appropriations discussed above.

General Fund remaining budget that is not continued into the next year lapses at year end. Therefore the remaining expenditure budget of approximately \$0.73 million lapsed at December 31, 2018.

#### Look Forward to 2019 and Beyond

The 2019 General Fund regular operations budget of \$81.85 million is comprised of the basic municipal services and had a growth of four percent from the original 2018 budget.

Effective April 1, 2019 sales and use tax within Thurston County Public Transportation Benefit area (PTBA) increased 4/10th of 1 percent (.04). The tax collection will be used for transportation. This increased City of Olympia total tax rate to 9.3 percent.

The City's utilities, as required by state law, are fully funded through rates and charges for utility services. The 2019 budget includes rate increases to ensure stable revenues while maintaining existing service levels. In a few years, the Waste Resources (solid waste) utility will require a new facility. Funding of the new facility will require substantial rate increases, as much as 20 percent. The City Council authorized a rate increase in 2018 of 4 percent for this purpose. The City established a new Waste ReSources Capital fund in 2019 to account for the funds collected for the future facility.

Utility rate increases for 2019 will be as follows:

- Storm Water saw an increase of 5.1% for 2019
- Waste Resources Residential rates increased 5.5%

The City will continue to invest in capital improvements. The 2019 Capital Improvement Plan (CIP) includes \$6.09 million for parks projects, \$5.2 million for transportation projects, and an investment of \$1.5 million in building repairs and major maintenance. The CIP added \$8.16 million for utility related projects, some of which will be debt financed.

With the economy beginning to slow down, sales tax rate revenues have stabilized. The City private utility taxes on Electric and Gas have flattened out while Telephone and Cable tax is declining. The City is taking measures to prepare for a budget deficit in the coming years. The City Council's Finance Committee passed a budget stabilization reserve to complement our current General Fund Reserve. The purpose of this new reserve is to sustain service levels during an economic downturn.

#### **Additional Information**

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

**Statement of Net Position  
December 31, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash And Cash Equivalents	\$13,346,522	\$6,404,563	\$19,751,085
Investments	49,427,836	23,525,900	72,953,736
Receivables			
Taxes	10,042,473	-	10,042,473
Customer Accounts	1,446,461	7,227,803	8,674,264
Accrued Interest and Penalty	178,207	98,452	276,659
Special Assessments	6,393	-	6,393
Notes/Contract/Loans Receivable	220,503	-	220,503
Other Receivables	839,587	176,206	1,015,793
Other Governmental Units	2,861,142	368,188	3,229,330
Interfund Loan Receivable	1,535,735	-	1,535,735
Inventories	414,290	137,044	551,334
Other Current Assets	233,712	1,650	235,362
<b>Total Current Assets</b>	<b>80,552,861</b>	<b>37,939,806</b>	<b>118,492,667</b>
Non-Current Assets:			
Restricted Cash And Cash Equivalents	197,152	1,260,900	1,458,052
Notes/Contract/Loans Receivable	6,517,850	-	6,517,850
Investment In Joint Venture	807,636	-	807,636
Net Pension Asset	14,473,921	-	14,473,921
Capital Assets			
Capital Assets Not Being Depreciated	81,167,190	18,762,701	99,929,891
Depreciable Assets, Net	177,417,323	109,528,460	286,945,783
<b>Total Non-Current Assets</b>	<b>280,581,072</b>	<b>129,552,061</b>	<b>410,133,133</b>
<b>Total Assets</b>	<b>361,133,933</b>	<b>167,491,867</b>	<b>528,625,800</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow - Related to Pensions	4,204,381	800,449	5,004,830
<b>Total Deferred Outflows Of Resources</b>	<b>4,204,381</b>	<b>800,449</b>	<b>5,004,830</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	1,021,455	210,129	1,231,584
Contracts Retainage Payable	116,553	426,420	542,973
Interest Payable	168,498	177,676	346,174
Due To Other Governmental Units	45,926	28,762	74,688
Interfund Loan Payable	1,535,735	-	1,535,735
Custodial Accounts	248,453	28,686	277,139
Wages Payable	2,565,415	418,706	2,984,121
Other Current Liabilities	1,088,728	244,646	1,333,374
Unearned Revenue	2,500,322	-	2,500,322
Compensated Absences (Current Portion)	4,013,741	1,029,672	5,043,413
Notes And Bonds Due Within One Year	18,199,942	3,017,896	21,217,838
<b>Total Current Liabilities</b>	<b>31,504,768</b>	<b>5,582,593</b>	<b>37,087,361</b>
Non-Current Liabilities			
Net Pension Liability	13,307,168	3,724,817	17,031,985
Total OPEB Obligation	25,656,297	-	25,656,297
Compensated Absences	1,054,331	9,797	1,064,128
Notes And Bonds Due In More Than One Year	57,487,318	34,988,918	92,476,236
<b>Total Non-Current Liabilities</b>	<b>97,505,114</b>	<b>38,723,532</b>	<b>136,228,646</b>
<b>Total Liabilities</b>	<b>129,009,882</b>	<b>44,306,125</b>	<b>173,316,007</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow - Related to Pensions	9,531,486	1,511,403	11,042,889
<b>Total Deferred Inflows Of Resources</b>	<b>9,531,486</b>	<b>1,511,403</b>	<b>11,042,889</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	181,912,408	90,616,220	272,528,628
Restricted For:			
Bond Reserve Fund	-	1,260,900	1,260,900
Debt Services	73,182	-	73,182
Hands On Children's Museum	528,637	-	528,637
Housing and Homeless Programs	347,916	-	347,916
HUD	4,393,281	-	4,393,281
Impact Fees	8,002,566	-	8,002,566
LID Reserve Fund	80,435	-	80,435
Lodging Tax	1,366,150	-	1,366,150
Other Post Employment Benefits	2,620,447	-	2,620,447
Net Pension Asset	14,473,921	-	14,473,921
Transportation, Parking, And Parks	15,425,898	-	15,425,898
Washington Center	85,179	-	85,179
Workers Comp Reserve	2,436,913	-	2,436,913
Other Purposes	2,087,927	-	2,087,927
Unrestricted (deficit)	(7,037,914)	30,597,668	23,559,754
<b>Total Net Position</b>	<b>\$226,796,946</b>	<b>\$122,474,788</b>	<b>\$349,271,734</b>

The accompanying notes are an integral part of this statement



**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2018**

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$23,159,642	\$16,745,054	\$3,202,701	\$ -	\$(3,211,887)	\$-	\$(3,211,887)
Public Safety	36,437,660	5,412,602	700,856	-	(30,324,202)	-	(30,324,202)
Physical Environment	1,562	-	-	-	(1,562)	-	(1,562)
Transportation	9,204,132	447,076	1,735,371	1,663,779	(5,357,906)	-	(5,357,906)
Economic Environment	7,216,049	189,690	633,059	-	(6,393,300)	-	(6,393,300)
Mental And Physical Health	931,071	-	-	-	(931,071)	-	(931,071)
Culture And Recreation	15,928,421	1,671,674	107,396	1,830,819	(12,318,532)	-	(12,318,532)
Interest On Long Term Debt	3,198,950	-	-	-	(3,198,950)	-	(3,198,950)
Total Governmental Activities	96,077,487	24,466,096	6,379,383	3,494,598	(61,737,410)	-	(61,737,410)
BUSINESS-TYPE ACTIVITIES							
Drinking Water & Wastewater	33,141,022	35,177,529	20,913	412,946	-	2,470,366	2,470,366
Waste Resources	12,018,629	12,025,280	-	-	-	6,651	6,651
Storm & Surface Water	5,874,079	5,559,995	305,543	25,450	-	16,909	16,909
Total Business-Type Activities	51,033,730	52,762,804	326,456	438,396	-	2,493,926	2,493,926
Total Government	\$147,111,217	\$77,228,900	\$6,705,839	\$3,932,994	\$(61,737,410)	\$2,493,926	\$(59,243,484)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes			
Property Taxes, Levied For General Purposes	\$18,455,003	\$-	\$18,455,003
Property Taxes, Levied For Debt Service	3,467,108	-	3,467,108
Gross Receipt Taxes	15,884,726	-	15,884,726
Sales Taxes	20,340,013	-	20,340,013
Excise Taxes	4,188,679	-	4,188,679
Investment Earnings	1,057,421	538,806	1,596,227
Other	4,418,988	626,163	5,045,151
Transfers	172,580	(172,580)	-
Total General Revenues and Transfers	67,984,518	992,389	68,976,907
Change In Net Position	6,247,108	3,486,315	9,733,423
Net Position – Beginning	222,000,758	118,988,473	340,989,231
Prior Period Adjustment - GASB 33 Adjustment (see Note 19)	9,924,465	-	9,924,465
Prior Period Adjustment - Elimination of HUD Loans as Unearned Revenue	4,401,462	-	4,401,462
Cumulative Effect of Change in Accounting Principle	(15,776,847)	-	(15,776,847)
Net Position – Ending	\$226,796,946	\$122,474,788	\$349,271,734

The accompanying notes are an integral part of this statement

**Balance Sheet - Governmental Funds**  
**December 31, 2018**

	General	H.U.D	Impact Fees	Lodging Tax	Home Fund	Parks & Recreation Utility Tax	Capital Improvement	Home Fund CIP	Other Governmental	Total Governmental Funds
<b>ASSETS</b>										
Cash And Cash Equivalents	\$5,263,655	\$35,739	\$1,696,744	\$250,489	\$43,545	\$792,793	\$1,202,867	\$97,299	\$2,601,397	\$11,984,528
Investments	18,527,766	-	6,330,084	986,037	173,512	3,080,750	4,230,330	394,718	\$9,819,764	43,542,961
Receivables										
Taxes	8,320,074	-	-	126,674	140,599	656,438	453,397	261,112	84,180	10,042,473
Customer Accounts	1,446,461	-	-	-	-	-	-	-	-	1,446,461
Accrued Interest & Penalty	54,516	229	26,321	2,950	105	11,508	14,656	205	46,307	156,797
Special Assessments	-	-	-	-	-	-	-	-	6,393	6,393
Notes/Contract/Loans Receivable	79,741	140,762	-	-	-	-	-	-	-	220,503
Other Receivables	562,200	-	-	-	-	-	155,591	-	119,013	836,804
Interfund Loan Receivable	185,000	-	-	-	-	-	-	-	450,735	635,735
Other Governmental Units	945,932	69,810	-	-	-	-	1,736,991	-	98,158	2,850,891
Prepayments	141,277	-	-	-	-	-	-	-	-	141,277
Inventory	223,059	-	-	-	-	-	-	-	-	223,059
Notes/Contract/Loans Receivable	2,116,388	4,401,462	-	-	-	-	-	-	-	6,517,850
Total Assets	37,866,069	4,648,002	8,053,149	1,366,150	357,761	4,541,489	7,793,832	753,333	13,225,947	78,605,732
<b>LIABILITIES</b>										
Accounts Payable	790,700	13,959	50,497	-	2,816	-	146,267	-	254	1,004,493
Wages Payable	2,501,309	-	-	-	7,029	-	29,956	-	-	2,538,294
Contracts Retainage Payable	15,100	-	-	-	-	-	101,453	-	-	116,553
Custodial Accounts	248,453	-	-	-	-	-	-	-	-	248,453
Other Current Liabilities	324,867	-	86	-	-	-	-	-	-	324,953
Interfund Loan Payable	-	100,000	-	-	-	-	-	1,350,735	85,000	1,535,735
Unearned Revenue	2,259,154	140,762	-	-	-	-	-	-	100,406	2,500,322
Total Liabilities	6,139,583	254,721	50,583	-	9,845	-	277,676	1,350,735	185,660	8,268,803
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Unavailable Revenue - Court Receivables	1,251,305	-	-	-	-	-	-	-	-	1,251,305
Unavailable Revenue - Property Taxes	234,624	-	-	-	-	-	-	-	59,641	294,265
Total Deferred Inflows Of Resources	1,485,929	-	-	-	-	-	-	-	59,641	1,545,570
<b>FUND BALANCE</b>										
Nonspendable	364,335	-	-	-	-	-	-	-	-	364,335
Restricted	333,631	4,393,281	8,002,566	1,366,150	347,916	4,541,489	-	-	13,041,808	32,026,841
Committed	9,147,713	-	-	-	-	-	-	-	15,335	9,163,048
Assigned	2,521,995	-	-	-	-	-	7,516,156	-	-	10,038,151
Unassigned	17,872,883	-	-	-	-	-	-	(597,402)	(76,497)	15,846,524
Total Fund Balance	30,240,557	4,393,281	8,002,566	1,366,150	347,916	4,541,489	7,516,156	(597,402)	12,980,646	68,791,359
Total Liabilities, and Fund Balance	\$37,866,069	\$4,648,002	\$8,053,149	\$1,366,150	\$357,761	\$4,541,489	\$7,793,832	\$753,333	\$13,225,947	\$78,605,732

The accompanying notes are an integral part of this statement

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2018**

Fund Balances - Total Governmental Funds	\$68,791,359
Capital assets not reported in the governmental funds	251,258,757
Investment in Joint Venture not reported in the governmental funds	807,636
Assets and liabilities of Internal Service funds not reported in governmental funds	14,925,385
Accrued Interest on GO Debt not reported in governmental funds	(168,498)
Fair Value Adjustment not reported in the governmental funds	(150,408)
Long term assets not available to pay current period expenditures and therefore are deferred in the governmental funds.	
Deferred Inflows of Resources:	
Local court revenue receivable	1,251,305
Property tax receivable	294,265
Long term debt not reported in governmental funds	
Bonds and Notes	(55,730,689)
Loans and BANS	(18,715,670)
Public Works Trust Fund Loans	(1,240,902)
Compensated Absences	(5,028,452)
Net Pension Liability and Asset, including deferred items	(3,840,845)
Net OPEB Liability	(25,656,297)
Net Position of Governmental Activities	\$ 226,796,946

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

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended December 31, 2018**

	General	H.U.D	Impact Fees	Lodging Tax	Home Fund	Parks & Recreation Utility Tax	Capital Improvement	Home Fund CIP	Other Governmental	Total Governmental Funds
<b>REVENUES</b>										
Taxes	\$53,618,745	\$-	\$-	\$1,021,488	\$407,187	\$2,784,053	\$1,894,699	\$756,204	\$10,800,320	\$71,282,696
Licenses and Permits	3,562,120	-	-	-	-	-	3,664	-	-	3,565,784
Intergovernmental Revenues	3,729,957	519,837	-	-	-	-	4,069,728	-	1,229,953	9,549,475
Charges for Services	16,885,671	-	1,586,376	-	-	-	2,148	-	-	18,474,195
Fines and Forfeits	851,045	-	-	-	-	-	-	-	-	851,045
Miscellaneous Revenues	3,783,993	123,367	151,087	16,904	609	65,851	1,789,123	1,182	311,357	6,243,473
<b>Total Revenues</b>	<b>82,431,531</b>	<b>643,204</b>	<b>1,737,463</b>	<b>1,038,392</b>	<b>407,796</b>	<b>2,849,904</b>	<b>7,759,362</b>	<b>757,386</b>	<b>12,341,630</b>	<b>109,966,668</b>
<b>EXPENDITURES</b>										
Current:										
General Government Services	25,067,314	-	601	-	-	-	1,820,138	-	134,127	27,022,180
Security of Persons & Property	39,095,438	-	-	-	-	-	-	-	-	39,095,438
Utilities and Environment	1,562	-	-	-	-	-	-	-	-	1,562
Transportation	4,134,219	-	-	-	-	-	1,537	-	-	4,135,756
Economic Environment	5,895,460	586,385	-	283,100	-	-	451,385	-	-	7,216,330
Mental and Physical Health	808,270	-	-	-	52,708	-	-	-	-	860,978
Culture and Recreation	8,586,886	-	-	-	-	-	882,445	-	5,497	9,474,828
Debt Service:										
Principal Retirement	-	65,000	-	-	-	-	-	-	2,760,599	2,825,599
Interest	1,728	-	-	-	-	-	-	4,052	3,243,877	3,249,657
Capital Outlays	290,805	-	-	-	7,172	-	13,612,443	1,350,735	432,754	15,693,909
<b>Total Expenditures</b>	<b>83,881,682</b>	<b>651,385</b>	<b>601</b>	<b>283,100</b>	<b>59,880</b>	<b>-</b>	<b>16,767,948</b>	<b>1,354,787</b>	<b>6,576,854</b>	<b>109,576,237</b>
Excess (Deficiency) of Revenues Over Expenditures	(1,450,151)	(8,181)	1,736,862	755,292	347,916	2,849,904	(9,008,586)	(597,401)	5,764,776	390,431
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers - In	4,198,551	-	-	-	-	-	11,044,569	-	2,045,880	17,289,000
Transfers - Out	(2,030,557)	-	(3,910,835)	(444,376)	-	(3,391,591)	(1,779,101)	-	(5,559,961)	(17,116,421)
Insurance Proceeds	-	-	-	-	-	-	1,189,522	-	-	1,189,522
Issuance of Debt	-	-	-	-	-	-	1,233,621	-	-	1,233,621
Sale of Capital Assets	3,468	-	-	-	-	-	-	-	15,327	18,795
<b>Total Other Financing Sources (Uses)</b>	<b>2,171,462</b>	<b>-</b>	<b>(3,910,835)</b>	<b>(444,376)</b>	<b>-</b>	<b>(3,391,591)</b>	<b>11,688,611</b>	<b>-</b>	<b>(3,498,754)</b>	<b>2,614,517</b>
<b>Net Change in Fund Balances</b>	<b>721,311</b>	<b>(8,181)</b>	<b>(2,173,973)</b>	<b>310,916</b>	<b>347,916</b>	<b>(541,687)</b>	<b>2,680,025</b>	<b>(597,401)</b>	<b>2,266,022</b>	<b>3,004,948</b>
FUND BALANCE JANUARY 1	21,056,826	-	10,176,539	937,996	-	4,347,778	4,333,600	-	10,607,748	51,460,487
Prior Period Adjustment GASB-33	8,462,420	-	-	117,238	-	735,398	502,531	-	106,876	9,924,463
Prior Period Adjustment HUD	-	4,401,462	-	-	-	-	-	-	-	4,401,462
<b>FUND BALANCE DECEMBER 31</b>	<b>\$30,240,557</b>	<b>\$4,393,281</b>	<b>\$8,002,566</b>	<b>\$1,366,150</b>	<b>\$347,916</b>	<b>\$4,541,489</b>	<b>\$7,516,156</b>	<b>\$(597,401)</b>	<b>\$12,980,646</b>	<b>\$68,791,359</b>

The accompanying notes are an integral part of this statement

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the year ended December 31, 2018**

Net Changes in Fund Balances - Total Governmental Funds	\$3,004,948
Repayment of bond principal is reported as an expenditure in governmental funds and as a reduction of debt in the statement of net assets	2,825,599
Gain / (Loss) on Assets formerly not listed in Governmental Funds	(18,276)
(Increase) / Decrease in Compensated Absences not listed in Governmental Funds	287,589
Purchase of Capital Assets are treated as an expenditure in Governmental Funds	13,778,838
Equity Adjustment for Investment in Joint Ventures	3,775
Donated Capital Assets not included in Fund Statements	99,415
Revenues not reported in Governmental Funds:	
Non-Exchange transactions not reported in the governmental funds	(9,043,345)
Deferred Revenue - court receivables	(271,964)
Deferred Revenue - property and other taxes	96,178
Internal service funds net income is not reported in governmental funds	792,405
Depreciation of capital assets not reported in governmental funds	(10,283,208)
Fair Value Adjustment not reported in the governmental funds	115,024
Long Term Debt Proceeds treated as revenue in Governmental Funds	(1,233,621)
Interest accrued on Governmental LT Debt not accrued on Governmental Statements	50,707
Change in Net Pension Liability, Deferred Inflows, Deferred Outflows, and Net Pension Assets not treated as an expenditure in Governmental Funds	17,618,255
Closing GASB 45 Balance for GASB 75 Implementation	(11,575,211)
Change in Net Position of Governmental Activities	\$6,247,108

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

**Statement of Net Position - Proprietary Funds**  
**December 31, 2018**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Drinking Water Wastewater Utility	Waste Resources Utility	Storm and Surface Water Utility	Total	
ASSETS					
Current Assets					
Cash And Cash Equivalents	\$5,076,044	\$466,857	\$861,662	\$6,404,563	\$1,361,994
Investments	18,712,834	1,497,647	3,315,419	\$23,525,900	6,035,283
Receivables					
Customer Accounts	4,662,548	1,727,185	838,070	\$7,227,803	
Accrued Interest & Penalty	80,339	6,692	11,421	\$98,452	21,410
Other Receivables	63,799	112,407	-	\$176,206	2,783
Interfund Loan Receivable	-	-	-	\$-	900,000
Other Governmental Units	176,248	-	191,940	\$368,188	10,251
Inventories	137,044	-	-	\$137,044	191,231
Other Current Assets	1,650	-	-	\$1,650	92,435
Total Current Assets	28,910,506	3,810,788	5,218,512	37,939,806	8,615,387
Noncurrent Assets					
Capital Assets, Net	105,673,527	262,044	22,355,590	128,291,161	7,325,757
Restricted Cash	1,260,900	-	-	1,260,900	197,152
Total Noncurrent Assets	106,934,427	262,044	22,355,590	129,552,061	7,522,909
Total Assets	135,844,933	4,072,832	27,574,102	167,491,867	16,138,296
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows related to pensions	403,563	226,187	170,699	800,449	59,262
Total Deferred Outflows of Resources	403,563	226,187	170,699	800,449	59,262
LIABILITIES					
Current Liabilities					
Accounts Payable	180,735	18	29,376	210,129	16,962
Contracts Retainage Payable	407,366	6,566	12,488	426,420	-
Matured Interest Payable	177,676	-	-	177,676	-
Due To Other Governmental Units	-	28,762	-	28,762	45,926
Custodial Accounts	28,686	-	-	28,686	-
Wages Payable	208,405	122,736	87,565	418,706	27,121
Other Current Liabilities	202,505	-	42,141	244,646	763,775
Compensated Absences (Current Portion)	380,455	494,892	154,325	1,029,672	34,440
Bonds, Notes And Loans Payable	2,930,408	-	87,488	3,017,896	-
Total Current Liabilities	4,516,236	652,974	413,383	5,582,593	888,224
Noncurrent Liabilities					
Compensated Absences	-	-	9,797	9,797	5,180
Net Pension Liability	1,870,726	1,027,781	826,310	3,724,817	266,919
Bonds, Notes And Loans Payable	33,696,586	-	1,292,332	34,988,918	-
Total Noncurrent Liabilities	35,567,312	1,027,781	2,128,439	38,723,532	272,099
Total Liabilities	40,083,548	1,680,755	2,541,822	44,306,125	1,160,323
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows related to pensions	762,095	429,706	319,602	1,511,403	111,850
Total Deferred Inflows of Resources	762,095	429,706	319,602	1,511,403	111,850
NET POSITION					
Net Investment in Capital Assets	69,378,406	262,044	20,975,770	90,616,220	7,325,757
Restricted For:					
Bond Reserve Fund	1,260,900	-	-	1,260,900	-
Workers Comp Reserve	-	-	-	-	2,436,913
Unrestricted (Deficit)	24,763,547	1,926,514	3,907,607	30,597,668	5,162,715
Total Net Position	\$95,402,853	\$2,188,558	\$24,883,377	\$122,474,788	\$14,925,385

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

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**  
**For Year Ended December 31, 2018**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility	Totals	
OPERATING REVENUES:					
Charges for Service	\$35,177,529	\$12,025,280	\$5,559,995	\$52,762,804	\$5,568,291
Miscellaneous Revenue	277,944	348,054	165	626,163	1,930,732
Total Operating Revenues	35,455,473	12,373,334	5,560,160	53,388,967	7,499,023
OPERATING EXPENSES:					
Operation and Maintenance	18,817,114	8,118,053	1,811,665	28,746,832	1,620,764
Administration and Overhead	5,668,613	2,483,372	2,635,806	10,787,791	4,064,819
Taxes	4,045,143	1,378,644	607,982	6,031,769	-
Depreciation and Amortization	3,718,946	38,560	780,127	4,537,633	1,247,579
Total Operating Expenses	32,249,816	12,018,629	5,835,580	50,104,025	6,933,162
Operating Income (Loss)	3,205,657	354,705	(275,420)	3,284,942	565,861
Non-Operating Revenues (Expenses):					
Investment Earnings	421,136	43,793	73,877	538,806	140,999
Intergovernmental Revenue	20,913	-	305,543	326,456	-
Gain/ (loss) on Disposal of Capital Assets	19,806	-	-	19,806	85,545
Interest Expense and Fiscal Charges	(911,012)	-	(38,499)	(949,511)	-
Total Non-Operating Revenues (Expenses)	(449,157)	43,793	340,921	(64,443)	226,544
Net Income (Loss) Before Contributions and Operating Transfers	2,756,500	398,498	65,501	3,220,499	792,405
Capital Contributions	412,946	-	25,450	438,396	-
Transfers - Out	(30,711)	(13,514)	(128,355)	(172,580)	-
Changes in Net Position	3,138,735	384,984	(37,404)	3,486,315	792,405
Net Position - Beginning	92,264,118	1,803,574	24,920,781	118,988,473	14,132,980
Net Position - Ending	\$95,402,853	\$2,188,558	\$24,883,377	\$122,474,788	\$14,925,385

The accompanying notes are an integral part of this statement

**Statement of Cash Flows - Proprietary Funds  
For Year Ended December 31, 2018**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers and Users	\$34,560,141	\$12,164,252	\$5,369,283	\$52,093,676	\$134,711
Cash Received from Interfund Activity	-	-	7,927	7,927	7,231,512
Cash Paid to Suppliers	(18,863,057)	(6,718,341)	(1,841,493)	(27,422,891)	(4,622,927)
Cash Paid to Other Funds - Internal Activity	(4,122,788)	(2,340,643)	(1,190,878)	(7,654,309)	(632,019)
Cash Paid to Employees	(3,408,983)	(2,029,674)	(1,590,251)	(7,028,908)	(554,494)
Cash Paid for Taxes	(4,045,674)	(1,378,644)	(607,982)	(6,032,300)	-
Non-Insurance Loss Recovery	-	-	-	-	122,740
Net Cash Provided (Used by Operating Activities)	4,119,639	(303,050)	146,606	3,963,195	1,679,523
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating Grants	20,913	-	305,543	326,456	-
Transfers - Out	(30,711)	(13,514)	(128,355)	(172,580)	-
Net Cash Provided from Non-Capital Activities	(9,798)	(13,514)	177,188	153,876	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from Sale of Capital Assets	-	-	-	-	157,445
Purchase of Capital Assets	-	-	-	-	(1,461,887)
Loan Proceeds	8,670,003	-	-	8,670,003	-
Acquisition and Construction of Capital Assets	(4,700,719)	-	(25,774)	(4,726,493)	-
Interfund Loan Receivable	-	-	-	-	(900,000)
Payment of Bond Principal	(1,430,000)	-	-	(1,430,000)	-
Payment of Bond Interest	(743,668)	-	-	(743,668)	-
Payment of Other Debt Principal	(1,431,411)	-	(85,150)	(1,516,561)	-
Payment of Other Interest	(225,238)	-	(38,499)	(263,737)	-
Net Cash Provided by Capital and Related Financing Activities	138,967	-	(149,423)	(10,456)	(2,204,442)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Changes in Internal Investment Pool	(3,384,732)	291,550	(169,701)	(3,262,883)	399,264
Interest on Investments	459,673	52,312	84,479	596,464	119,770
Net Cash Provided (Used) by Investing Activities	(2,925,059)	343,862	(85,222)	(2,666,419)	519,034
Net Increase in Cash and Cash Equivalents	1,323,749	27,298	89,149	1,440,196	(5,885)
Cash and Cash Equivalents, January 1	5,013,195	439,559	772,513	6,225,267	1,565,031
Cash and Cash Equivalents, December 31	\$6,336,944	\$466,857	\$861,662	\$7,665,463	\$1,559,146

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



**Statement of Cash Flows - Proprietary Funds (continued)**  
**For Year Ended December 31, 2018**

	Business-Type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Drinking Water Wastewater	Waste Resources	Storm and Surface Water Utility		
CASH PROVIDED BY OPERATING ACTIVITIES:					
Net Operating Income (Loss)	\$3,205,657	\$354,705	\$(275,420)	\$3,284,942	\$565,861
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Depreciation	3,718,946	38,560	780,127	4,537,633	1,247,579
(Increase) Decrease in Accounts Receivable	(760,036)	(234,566)	(48,565)	(1,043,167)	-
(Increase) Decrease in Other Receivables	25,538	25,484	-	51,022	(10,060)
(Increase) Decrease in Inventory	20,535	-	-	20,535	64,050
(Increase) Decrease in Other Current Assets	-	-	-	-	(7,519)
(Increase) Decrease in Deferred outflows - pensions	7,157	1,537	5,291	13,985	1,862
(Increase) Decrease in Due from Other Governments	(160,834)	-	(134,385)	(295,219)	-
Increase (Decrease) in Compensated Absences	5,507	51,412	11,955	68,874	8,809
Increase ( Decrease) in Net Pension Liability	(631,306)	(348,457)	(269,792)	(1,249,555)	(97,408)
Increase ( Decrease) in Deferred inflows - pensions	267,835	153,473	109,778	531,086	38,706
Increase (Decrease) in Accounts Payable	(1,572,915)	(347,950)	(38,630)	(1,959,495)	(82,665)
Increase (Decrease) in Due to Other Governments	-	6,084	-	6,084	(24,885)
Increase (Decrease) in Other Current Liabilities	(6,445)	(3,332)	6,247	(3,530)	(24,807)
Total Adjustments	913,982	(657,755)	422,026	678,253	1,113,662
Net Cash Provided by Operating Activities	\$4,119,639	\$(303,050)	\$146,606	\$3,963,195	\$1,679,523
CASH AND CASH EQUIVALENTS:					
RECONCILIATION OF CASH AND CASH EQUIVALENTS REPORTED AT DECEMBER 31					
Statement of Net Position:					
Cash and Residual Investments	\$5,076,044	\$466,857	\$861,662	\$6,404,563	\$1,361,994
Restricted Assets:					
Debt Service					
Cash and Residual Investments	1,260,900	-	-	1,260,900	-
Workers Compensation Surety					
Cash and Residual Investments	-	-	-	-	197,152
Cash and Cash Equivalents, December 31	\$6,336,944	\$466,857	\$861,662	\$7,665,463	\$1,559,146
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Contribution of Capital Assets	\$412,946	\$-	\$25,450	\$438,396	\$-

The accompanying notes are an integral part of this statement

**Statement of Fiduciary Net Position - Fiduciary Funds**  
**December 31, 2018**

	Employee Retirement Plans	Agency Funds
<b>ASSETS</b>		
Cash and Residual Investments	\$230,177	\$79,389
Investments		
US Government Securities	4,468,283	-
Municipal Bonds	9,797	
Receivables (Net of Allowances):		
Accrued Interest	27,062	1,628
Total Assets	4,735,319	81,017
<b>LIABILITIES</b>		
Other Current Liabilities	-	5,733
Due to Other Governments	-	75,284
Total Liabilities	-	81,017
<b>NET POSITION</b>		
Net Position Restricted for Pensions	4,735,319	-
Held in Trust for Pension Benefits and Other Purposes	\$4,735,319	\$ -

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

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For Year Ended December 31, 2018**

	Employee Retirement Plans
<b>ADDITIONS</b>	
Employer Contributions	\$266,307
State Contributions	
Fire Insurance Premium Tax	101,077
Total Contributions	367,384
Investment Earnings	
Investment Income	82,931
Net Investment Earnings	82,931
Total Additions	450,315
<b>DEDUCTIONS</b>	
Benefits	376,535
Total Deductions	376,535
<b>CHANGE IN NET POSITION</b>	
	73,780
Net Position - Beginning of the Year	4,661,540
Net Position - End of the Year	\$4,735,320

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

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

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

### **A. Reporting Entity**

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

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

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

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

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

As a general rule the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are interfund services provided and used by the government's utilities functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for these functions.

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

The City of Olympia reports the following major governmental funds:

#### **General Fund**

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

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

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

#### **Impact Fees Fund**

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

#### **Lodging Tax Fund**

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

**Parks and Recreation Utility Tax Fund**

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

**Capital Improvement Fund**

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

**Home Fund Operating**

This fund is used to account for monies received from a portion of sales tax. It is used to provide funding for housing, mental and behavioral health related facilities, operation and maintenance cost, and treatment centers where housing related programs are provided. The operating portion of the sales tax is held in fund 142 while the capital portion of this sales tax increase is kept in fund 318.

**Home Fund Capital Improvement Fund**

This fund is used to account for monies received from a portion of sales tax. It is used to provide funding for housing, mental and behavioral health related facilities, operation and maintenance cost, and treatment centers where housing related programs are provided. The capital portion of the sales tax is held in fund 318 while the operating portion of the sales tax increase is kept in fund 142.

The City reports the following major enterprise funds:

**Drinking Water and Wastewater Fund**

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

**Waste Resources Fund**

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

**Storm and Surface Water Fund**

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

Additionally, the City reports the following fund types:

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

The pension trust fund is used to account for Firefighter's Pension. For additional information on the Firefighters Pension see Note 7.B.

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

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

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

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

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

Proprietary fund statements are reported using the economic resources measurements focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the cash flow. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all of the City's Utilities are charges for service. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **D. Budgetary Information**

### Scope of Budget

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

Annually adopted budgets are adopted for the following Funds:

#### General Fund

All active general obligation debt service funds:

4th/5th Ave Bridge Fund 216

UTGO Fire Bond Fund 224

City Hall Debt Fund 225

LTGO Street Bond Fund 226

Local Debt Fund 227

LTGO Hands on Children's Museum Bond Fund 228

LTGO WA Center, LED, Parks Bond Fund 229

LTGO BAN Debt Fund 230

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

### Amending the Budget

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The City Manager is authorized to transfer appropriations within a fund, however, an increase of the annual adopted budget requires Council action and is done by ordinance. Individual transfers were not material in relation to original appropriations. During the year 2018 there were several supplementary appropriations authorized by the City Council in the General Fund budget totaling \$12,516,177.

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

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

### Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2018, the treasurer was holding \$21,209,138 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. For more information on the City's Cash and Cash Equivalents, see Deposits and Investments Note 4.

Investments – (See Deposits and Investments Note 4)

### Receivables

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

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2018 \$6,393 of special assessments receivable were delinquent.

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

### Inventories and Prepaids

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

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

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

### Restricted Assets and Liabilities

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

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

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

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

Cash and Investments - Workers' Compensation Reserve ..... \$197,152

### Capital Assets – (See Note 6)

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

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

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

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

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

### Compensated Absences

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

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

#### Other Compensated Benefits

The City of Olympia self-insures unemployment compensation on a reimbursable basis to the State of Washington. The City utilizes the services of Penser NorthAmerica, Inc. to manage claims of the program. As of December 31, 2018 the Unemployment Compensation Fund had a fund balance of \$628,385 which is equal to approximately 32 maximum liability claims (26 weeks at \$749 per week).

#### Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

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

#### Pensions

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

#### Unearned Revenues

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

#### Fund Balance Classification

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

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

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

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



## Fund Balance Details

Fund Balance details for the year ended December 31, 2018 are listed below.

### FUND BALANCES: GOVERNMENTAL FUNDS DECEMBER 31, 2018

	General	H.U.D	Impact Fees	Lodging Tax	Home Fund	Parks & Recreation Utility Tax	Capital Imprvmnt	Home Fund Capital Imprvmnt	Other Governmental	Total Governmental Funds
<b>Fund Balance:</b>										
Nonspendable:										
Pre-Payments and Inventory	\$364,335	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$364,335
Total Nonspendable	364,335	-	-	-	-	-	-	-	-	364,335
<b>Restricted for:</b>										
LID Reserve	-	-	-	-	-	-	-	-	80,435	80,435
Debt Service	-	-	-	-	-	-	-	-	73,188	73,188
HUD Programs	-	4,393,281	-	-	-	-	-	-	-	-
Lodging and Tourism Benefit	-	-	-	1,366,150	-	-	-	-	-	1,366,150
Major Repairs and Maintenance	-	-	-	-	-	-	-	-	605,338	605,338
Parking Improvement	-	-	-	-	-	-	-	-	59,673	59,673
Parks and Roads Construction	-	-	-	-	-	-	-	-	2,769,130	2,769,130
Parks and Sidewalk Construction	-	-	8,002,566	-	-	-	-	-	-	8,002,566
Transportation Projects	-	-	-	-	-	4,541,489	-	-	-	4,541,489
WA Center for Performing Arts	85,179	-	-	-	-	-	-	-	9,454,044	9,539,223
Housing & Homeless Programs	-	-	-	-	347,916	-	-	-	-	347,916
Other Purposes	248,453	-	-	-	-	-	-	-	-	248,453
Total Restricted	333,632	4,393,281	8,002,566	1,366,150	347,916	4,541,489	-	-	13,041,808	27,633,561
<b>Committed to:</b>										
Appropriated to Next Year's Budget	-	-	-	-	-	-	-	-	-	-
Community Development	661,317	-	-	-	-	-	-	-	-	661,317
Debt Service	-	-	-	-	-	-	-	-	11,292	11,292
Equipment and Facilities Reserve	3,480,663	-	-	-	-	-	-	-	-	3,480,663
Municipal Arts	472,663	-	-	-	-	-	-	-	-	472,663
New City Hall	-	-	-	-	-	-	-	-	4,043	4,043
OPEB	2,620,447	-	-	-	-	-	-	-	-	2,620,447
Parking	1,157,640	-	-	-	-	-	-	-	-	1,157,640
Washington Center for Perf. Arts	754,983	-	-	-	-	-	-	-	-	754,983
Total Committed	9,147,713	-	-	-	-	-	-	-	15,335	9,163,048
<b>Assigned to:</b>										
Continuing Appropriations	2,521,995	-	-	-	-	-	7,516,156	-	-	10,038,151
Total Assigned	2,521,995	-	-	-	-	-	7,516,156	-	-	10,038,151
<b>Unassigned:</b>	17,911,969	-	-	-	-	-	-	(75,177)	(76,497)	17,752,114
<b>Fund Balance Total:</b>	\$30,279,644	\$4,393,281	\$8,002,566	\$1,366,150	\$347,916	\$4,541,489	\$7,516,156	\$(75,177)	\$12,980,646	\$64,951,209

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

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets are not reported in the governmental funds.” The details of this \$251,258,757 are as follows:

Capital Assets Governmental Activities:	
Capital Assets Not Being Depreciated	\$81,167,190
Depreciable Assets, Net	<u>\$177,417,323</u>
Total Capital Assets Governmental Activities	\$258,584,513
Less: Capital Assets Internal Service Funds	<u>-\$7,325,756</u>
Capital Assets Government Funds	\$251,258,757
Land	\$73,135,341
Construction in progress	8,031,850
Buildings	104,134,406
Less: Accumulated Depreciation	(32,615,706)
Improvements other than buildings	27,820,254
Less: Accumulated Depreciation	(6,538,455)
Machinery and Equipment	12,549,037
Less: Accumulated Depreciation	(8,070,594)
Infrastructure	172,977,706
Less: Accumulated Depreciation	(100,165,081)
Net Adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$251,258,758</u></u>

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

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

## NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

## NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

<b>Bank Balance</b>	
LGIP Investments	\$16,771,863
Bank Balance of Deposits	8,390,144
Investments	<u>77,431,814</u>
	<u>\$102,593,821</u>
<b>Financial Statements</b>	
Cash and Cash Equivalents	\$21,209,137
Investments	\$72,953,736
Fiduciary Cash	309,566
Fiduciary Investments	4,478,080
Bank account - Outstanding Items	3,658,725
Cash on Hand	(9,690)
Municipal Court Bank Account	<u>(5,733)</u>
	<u><u>\$102,593,821</u></u>

## A. Deposits

The City's bank balances of deposits and certificates of deposits at December 31, 2018 are entirely insured. The Federal Depository Insurance Commission (FDIC) insures the City's deposits up to \$250,000 and the Washington Public Deposit Protection Commission (WPDP) insures amounts over \$250,000.

## B. Investments

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

### Investments Measured at Amortized Cost

As of December 31, 2018, the City held the following investments at amortized cost:

Investment Type	Maturity	Olympia's Own Investments	Total
State Investment Pool	60 Days	\$16,771,863	\$16,771,863
<b>Total</b>		<b>\$16,771,863</b>	<b>\$16,771,863</b>

The City's investment in the State Investment Pool (LGIP) is a result of transactions at a stable net asset value per share of \$1.00, the same method used for reporting. The City may contribute and withdraw funds on a daily basis. The City must inform LGIP of any contribution or withdrawal over one million dollars no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, the City may complete transactions greater than one million dollars when notification is made between 9 a.m. and 10 a.m., at the sole discretion of LGIP and the State Treasurer. All City is required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. For further information on the LGIP and complete LGIP financial statements can be obtained from the Washington State Treasurer, [www.tre.gov](http://www.tre.gov), P.O. Box 40200, Olympia, WA 98504.

The City is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [HYPERLINK "http://www.tre.wa.gov/"http://www.tre.wa.gov](http://www.tre.wa.gov)

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The LGIP Investment policy requires that securities purchased be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement. The City does not have a specific Custodial Credit Risk Policy.

### Investments Measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles. Securities classified as Level 1 in the fair value hierarchy are valued using prices quoted in active markets for identical securities, Level 2 securities are valued using observable inputs, and Level 3 securities are valued using unobservable inputs. U.S. Agency and U.S. Treasury Securities classified in Level 2 are valued using quoted prices for similar securities and interest rates. The level of fair value measurement is based on the lowest level of significant input for the security type in its entirety. There are no Level 1 security classifications to report. Bank deposits are valued using a cost based measure to determine fair value.

As of December 31, 2018, the City held the following investments at fair value:

Investments by Fair Value	12/31/2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal Bond	\$9,797			\$9,797
U.S. Government & Agencies - FHLB	18,107,290		18,107,290	
U.S. Government & Agencies - FFCB	6,334,770		6,334,770	
U.S. Government & Agencies - FHLMC	17,861,898		17,861,898	
U.S. Government & Agencies - FNMA	17,680,034		17,680,034	
U.S. Treasury Notes	17,438,025		17,438,025	
<b>Total By Fair Value Level</b>	<b>\$77,431,814</b>	<b>\$-</b>	<b>\$77,422,017</b>	<b>\$9,797</b>
Bank Deposits	8,390,144			
<b>Total By Fair Value</b>	<b>\$85,821,958</b>			

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

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

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

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

## NOTE 5 - PROPERTY TAXES

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

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

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

#### **A. City of Olympia Property Taxes**

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

- A. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- B. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit. The City's regular levy for 2018 was \$2.6004 per \$1,000 on an assessed valuation of \$6,690,364,182 for a total regular levy of \$17,397,569.
- C. The City is also authorized to levy \$.45 per \$1,000 of assessed valuation for the firemen's pension fund. See Pension Note No. 7.B. This levy is subject to the same limitations as the levy for general government services. The city's firemen's pension levy for 2018 was \$.04 per \$1,000 and is included in the amounts listed above.

#### **B. Voter Approved 2009 Fire Bond Property Taxes**

The citizens of Olympia authorized the City to issue general obligation bonds via special election on August 19, 2008. The proceeds of the bond were used to construct a fourth fire station, a fire training center, and the acquisition of two fully equipped fire engines and a ladder truck. Annual principal and interest payments are funded by voter approved property tax collections equal to the current year debt service obligation.

The City's excess levy for debt service in 2018 was \$0.1808 per \$1,000 of assessed valuation of \$6,640,949,485 for a total excess levy of \$1,200,420 which is not included in the regular property tax collections discussed in section A.

#### **C. Olympia Metropolitan Park District Property Taxes**

The citizens of Olympia authorized the City to form the Olympia Metropolitan Park District (OMPD) via general elections on November 3, 2015. The OMPD is authorized to levy property taxes to fund acquisition, maintenance, and improvements of parks, Percival Landing, and other recreation facilities and programs.

The OMPD's property tax levy in 2018 was \$0.54 per \$1,000 of assessed valuation of \$6,690,364,182 for a total levy of \$3,612,743, which is not included in the regular property tax collections discussed in section A.

## NOTE 6 – CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

### A. Capital Assets

Capital assets activity for the year ended December 31, 2018 is as follows:

Governmental Activities	Balance 12/31/17	Increases	Decreases	Balance 12/31/18
Capital assets, not being depreciated:				
Land	\$60,633,461	\$12,501,879	\$-	\$73,135,340
Construction in progress	3,254,699	5,315,681	538,530	8,031,850
<b>Total capital assets, not being depreciated</b>	<b>63,888,160</b>	<b>17,817,560</b>	<b>538,530</b>	<b>81,167,190</b>
Capital assets, being depreciated:				
Buildings	102,387,613	1,746,793	-	104,134,406
Improvements other than buildings	27,793,949	26,305	-	27,820,254
Machinery and Equipment Govt.	12,766,586	515,768	733,317	12,549,037
Machinery and Equipment Int Svc	16,840,491	1,461,887	1,056,714	17,245,664
Machinery and Equipment Subtotal	29,607,077	1,977,655	1,790,031	29,794,701
Infrastructure	172,471,124	506,581	-	172,977,705
<b>Total capital assets being depreciated</b>	<b>332,259,763</b>	<b>4,257,334</b>	<b>1,790,031</b>	<b>334,727,066</b>
Less accumulated depreciation for:				
Buildings	29,447,428	3,168,278	-	32,615,706
Improvements other than buildings	5,637,664	900,791	-	6,538,455
Machinery and Equipment Govt.	8,140,454	653,555	723,415	8,070,594
Machinery and Equipment Int Svc	9,657,143	1,247,578	984,814	9,919,907
Machinery and Equipment Subtotal	17,797,597	1,901,133	1,708,229	17,990,501
Infrastructure	94,604,497	5,560,584	-	100,165,081
Total accumulated depreciation	147,487,186	11,530,786	1,708,229	157,309,743
<b>Total capital assets, being depreciated, net</b>	<b>184,772,577</b>	<b>(7,273,452)</b>	<b>81,802</b>	<b>177,417,323</b>
<b>Governmental activities capital assets, net</b>	<b>\$248,660,737</b>	<b>\$10,544,108</b>	<b>\$620,332</b>	<b>\$258,584,513</b>

Business-Type Activities	Balance 12/31/17	Increases	Decreases	Balance 12/31/2018
Capital assets, not being depreciated:				
Land	\$4,664,240.00	\$-	\$-	\$4,664,240.00
Construction in Progress	9,995,314	4,697,093	593,946	\$14,098,461
<b>Total capital assets, not being depreciated</b>	<b>14,659,554</b>	<b>4,697,093</b>	<b>593,946</b>	<b>18,762,701</b>
Capital assets, being depreciated:				
Buildings	6,268,214	175,848	-	6,444,062
Improvements other than buildings	174,391,916	845,117	-	175,237,033
Machinery and equipment	2,995,830	60,133	-	3,055,963
Intangible assets	3,559,037	-	-	3,559,037
<b>Total capital assets being depreciated</b>	<b>187,214,997</b>	<b>1,081,098</b>	<b>-</b>	<b>188,296,095</b>
Less accumulated depreciation for:				
Buildings	3,336,583	124,745	-	3,461,328
Improvements other than buildings	68,396,997	4,188,429	-	72,585,426
Machinery and equipment	1,834,619	150,906	-	1,985,525
Intangible assets	661,803	73,553	-	735,356
Total accumulated depreciation	74,230,002	4,537,633	-	78,767,635
<b>Total capital assets, being depreciated, net</b>	<b>112,984,995</b>	<b>(3,456,535)</b>	<b>-</b>	<b>109,528,460</b>
<b>Business-type activities capital assets, net</b>	<b>\$127,644,549</b>	<b>\$1,240,558</b>	<b>\$593,946</b>	<b>\$128,291,161</b>

Depreciation and Amortization expense was charged to functions/programs of the primary government and the business type activities for the year ended December 31, 2018 are as follows:

<b>Governmental Activities:</b>	
General Government:	\$3,597,020
Security of Persons and Property	223,493
Transportation	5,568,653
Culture and Recreation	894,041
Internal Service Funds	1,247,579
Total Depreciation/Amortization – Governmental Activities	\$11,530,786
<b>Business-Type Activities:</b>	
Drinking Water/ Wastewater Utility	\$3,718,946
Waste ReSources Utility	38,560
Storm and Surface Water Utility	780,127
Total Depreciation/Amortization – Business-Type Activities	\$4,537,633

## B. Construction and Other Significant Commitments

The City has active construction projects as of December 31, 2018. The projects listed below represent the major projects underway:

Project	Fund	Spent to Date	Remaining Commitment	Outside Financing Sources
Two vehicles for Transportation Line of Business		\$-	\$280,000	N/A
LIHI - Homelessness activities	142 Home Fund	-	1,018,326	N/A
Log Cabin Reservoir	461 Water CIP Fund	7,526,413	183,130	DOH Loan
West Bay Booster Station	461 Water CIP Fund		316,172	N/A
Fern Street Sidewalk	317 Capital Improvement		229,092	N/A
Traffic Controller Update	317 Capital Improvement	217,922	341,059	WSDOT Grant
2018 Least Cost Chip Seal	317 Capital Improvement	1,637,198	240,041	N/A
2017 Priority Sewer Repair	462 Sewer Capital Imp. Fund	147,691	425,799	
Total Commitments		\$9,529,224	\$3,033,619	

## NOTE 7 – PENSION PLANS

The following table represents the aggregate pension amounts for all pension plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pension for the year 2018:

Aggregate Pension Amounts - All Pension Plans	
Pension Liabilities	\$17,031,986
Pension Assets	\$14,473,921
Deferred Outflows of Resources related to pensions	\$5,004,780
Deferred Inflows of Resources related to pensions	\$11,042,890
Pension Expense/Expenditures	\$1,253,246

### A. State Sponsored Pension Plans

The following table represents the aggregate pension amounts for the State Sponsored Pension Plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2018:

Aggregate Pension Amounts - State Sponsored Pension Plans	
Pension Liabilities	\$15,450,122
Pension Assets	\$14,473,921
Deferred Outflows of Resources related to pensions	\$4,798,699
Deferred Inflows of Resources related to pensions	\$11,042,890
Pension Expense/Expenditures	\$1,454,031

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

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

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

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

### Public Employees' Retirement System (PERS)

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

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



### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer*	Employee**
January through June 2018	12.7%	6.00%
July through December 2018	12.70%	6.00%
* Employer rate includes 0.18% administrative fee		
** For employees participating in JBM, the Contribution rate was 12.26%		

\*The City of Olympia actual contributions to the plan were \$1,641,967 for the year ended December 31, 2018.

**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 2018 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer*	Employee 2**/3***
January through June 2018	12.7%	7.38%
July through December 2018	12.70%	7.38%
* Employer rate includes 0.18% administrative fee		
** For employees participating in JBM, the Contribution rate was 18.45%.		
*** For employees participating in PERS3, the Contribution rate varies		

The City of Olympia actual contributions to the plan were \$2,276,623 for the year ended December 31, 2018.

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

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

#### Contributions

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

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2018 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer*	Employee
January through June 2018	11.94%	6.73%
July through December 2018	11.95%	6.74%

\* Employer rate includes 0.18% administrative fee

The City of Olympia actual contributions to the plan were \$82,721 for the year ended December 31, 2018.

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

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

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

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

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

### Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll which totaled \$84 in 2018.

**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 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer*	Employee
January through June 2018	5.43%	8.75%
July through December 2018	5.43%	8.75%

\* Employer rate includes 0.18% administrative fee

The City of Olympia actual contributions to the plan were \$1,047,265 for the year ended December 31, 2018.

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, 2018, the state contributed \$68,152,000 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$1,048,653.

## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases:** In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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 7.4 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

#### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

#### Sensitivity of NPL

The table below presents the City of Olympia proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.4 percent, as well as what the City of Olympia's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.4 percent) or one percentage point higher (8.4 percent) than the current rate.

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$13,030,742	\$10,603,258	\$8,500,567
PERS 2/3	\$22,151,541	\$4,842,901	\$(9,348,253)
PSERS 2	\$402,427	\$3,874	\$(308,860)
LEOFF 1	\$(2,040,316)	\$(2,564,760)	\$(3,016,276)
LEOFF 2	\$(1,583,709)	\$(11,909,259)	\$(20,330,946)

### 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, 2018, the City of Olympia reported a total pension liability of \$15,450,033 for its proportionate share of the net pension liabilities and a total pension asset of \$-14,474,019 for its proportionate share of the net pension assets as follows:

Plan	Liability or (Asset)
PERS 1	\$10,603,258
PERS 2/3	\$4,842,901
PSERS 2	\$3,874
LEOFF 1	\$(2,564,760)
LEOFF 2	\$(11,909,259)

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

Plan	Liability or (Asset)
LEOFF 2 – employer's proportionate share	\$(11,909,259)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	\$(7,710,975)
Total	\$(19,620,234)

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

Plan	Proportionate Share 06/30/2017	Proportionate Share 06/30/2018	Change in Proportion
PERS 1	0.224259%	0.237420%	0.013161%
PERS 2/3	0.268542%	0.283640%	0.015098%
PSERS 2	0.289407%	0.312640%	0.023233%
LEOFF 1	0.136175%	0.141270%	0.005095%
LEOFF 2	0.559215%	0.586600%	0.027385%

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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, the State of Washington contributed 39.3 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.7 percent of employer contributions.

The total pension liability (asset) was measured as of June 30th 2018 using the most recent actuarial valuation completed in 2018 with a valuation date of June 30th 2017 and rolled forward.

## Pension Expense

For the year ended December 31, 2018, the City of Olympia recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$2,209,986
PERS 2/3	\$95,316
PSERS 2	\$68,972
LEOFF 1	\$(482,344)
LEOFF 2	\$(437,898)
<b>Total</b>	<b>\$1,454,032</b>

## Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City of Olympia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$421,371
Contributions subsequent to the measurement date	\$826,195	\$ -
<b>TOTAL</b>	<b>\$826,195</b>	<b>\$421,371</b>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$593,613	\$847,903
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$2,971,828
Changes of assumptions	\$56,654	\$1,378,250
Changes in proportion and differences between contributions and proportionate share of contributions	\$536,483	\$508,537
Contributions subsequent to the measurement date	\$1,143,380	\$ -
<b>TOTAL</b>	<b>\$2,330,130</b>	<b>\$5,706,518</b>

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$28,729	\$3,974
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$52,231
Changes of assumptions	\$414	\$23,971
Changes in proportion and differences between contributions and proportionate share of contributions	\$5,031	\$ -
Contributions subsequent to the measurement date	\$43,306	\$ -
<b>TOTAL</b>	<b>\$77,480</b>	<b>\$80,176</b>

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$208,218
Contributions subsequent to the measurement date	\$ -	\$ -
<b>TOTAL</b>	<b>\$ -</b>	<b>\$208,218</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$637,900	\$276,533
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$2,084,270
Changes of assumptions	\$6,741	\$1,709,185
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$458,861
Contributions subsequent to the measurement date	\$537,397	\$ -
<b>TOTAL</b>	<b>\$1,182,038</b>	<b>\$4,528,849</b>

<b>Total of All Plans</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$1,260,242	\$1,128,410
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$5,737,918
Changes of assumptions	\$63,809	\$3,111,406
Changes in proportion and differences between contributions and proportionate share of contributions	\$541,514	\$967,398
Contributions subsequent to the measurement date	\$2,550,278	\$ -
<b>TOTAL</b>	<b>\$4,415,843</b>	<b>\$10,945,132</b>

Deferred outflows of resources related to pensions resulting from the City of Olympia contributions subsequent to the measurement date in the amount of \$2,550,278 will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31:</b>	<b>PERS 1</b>	<b>Year Ended December 31:</b>	<b>PERS 2/3</b>	<b>Year Ended December 31:</b>	<b>PSERS2</b>
2019	\$18,435	2019	\$(361,325)	2019	\$(312)
2020	\$(92,114)	2020	\$(1,000,179)	2020	\$(5,900)
2021	\$(276,409)	2021	\$(1,855,985)	2021	\$(17,002)
2022	\$(71,283)	2022	\$(710,554)	2022	\$(9,057)
2023	\$ -	2023	\$(286,276)	2023	\$(1,921)
Thereafter	\$ -	Thereafter	\$(305,502)	Thereafter	\$(11,809)
<b>Total</b>	<b>\$(421,371)</b>	<b>Total</b>	<b>\$(4,519,821)</b>	<b>Total</b>	<b>\$(46,001)</b>

<b>Year Ended December 31:</b>	<b>LEOFF1</b>	<b>Year Ended December 31:</b>	<b>LEOFF2</b>
2019	\$199	2019	\$(297,044)
2020	\$(46,972)	2020	\$(632,615)
2021	\$(127,933)	2021	\$(1,279,314)
2022	\$(33,511)	2022	\$(535,525)
2023	\$ -	2023	\$(230,237)
Thereafter	\$ -	Thereafter	\$(909,420)
<b>Total</b>	<b>\$(208,217)</b>	<b>Total</b>	<b>\$(3,884,155)</b>

## B. Single Employer Plan

### FIREMENS' PENSION

#### Summary of Significant Accounting Policies

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

Separate financial statements are not issued for the FPFP. The statement of fiduciary net position and the statement of changes in fiduciary net position for the fire pension plan can be found in the Fiduciary Section of the Basic Financial Statements portion of this report. The notes to the FPFP provide detailed disclosures related to GASB Statements 67 and 68. The following table represents the aggregate pension amounts for the FPFP for the year 2018:

Aggregate Pension Amounts - Fire Pension Fund	
Pension Liabilities	\$1,581,864
Deferred Outflows of Resources related to pensions	\$206,081
Pension Expense/Expenditures	\$1,375,783

#### Benefits Provided

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

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

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

#### Plan Description

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

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

Membership of the Firemens' Pension Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

Firefighters retired from service after March 1, 1970	11
Firefighters disabled in line of duty since March 1, 1970	8
Survivors of Firefighters retired after March 1, 1970	6



### Funding Policy

Under State law, the FPPF is funded from an allocation from the State of Washington of fire insurance premium taxes; interest earnings; member contributions which were made prior to March 1, 1970 (the inception of LEOFF); and City contributions required to meet projected future pension obligations. The City is funding the plan from City contributions over a 26 year (2000-2025) funding plan of property tax revenues, along with future revenues from state fire insurance taxes and interest earnings which will be sufficient to pay all future pension benefits. The state contributes a portion of taxes collected on fire insurance premiums to the FPPF and is considered a non-employer contributing entity. The revenue received through this tax amounted to \$101,077 in 2018. Since the benefits provided by the Plan are the excess benefits between the City's FPF plan and the state's LEOFF plan, a modified aggregate projected benefit actuarial cost method is used for funding purposes. Under this method, all excess liabilities not covered by the actuarial assets as of the date of the valuation are funded as a level dollar or an increasing dollar amount over the period until the youngest participant is expected to reach age 74.

### Net Pension Liability of the City

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

Total Pension Liability	\$6,317,183
Plan Fiduciary Net Position	4,735,319
<b>City's Net Pension Liability</b>	<b>\$1,581,864</b>

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

<b>Actuarial Valuation Assumptions</b>		
<b>Valuation Date:</b>	January 1, 2017	January 1, 2019
<b>Measurement Date:</b>	December 31, 2017	December 31, 2018
<b>Inflation:</b>	2.25%	2.25%
<b>Salary Increases Including Inflation</b>	3.25%	3.25%
<b>Discount Rate</b>	3.50%	3.50%
<b>Long-Term Expected Rate of Return</b>	3.50%	3.50%
<b>Municipal Bond Rate</b>	3.50%	3.50%
<b>Mortality</b>	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (forward 2 years for disabled members).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (forward 2 years for disabled members).
<b>Actuarial Cost Method:</b>	Entry Age Normal	Entry Age Normal

The long-term expected rate of return on pension plan investments was determined by combining expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions as of December 31, 2018 are as follows:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	0.34%
Short-Term Bonds	1.50%
Assumed Inflation	2.25%
Long-Term Expected Rate of Return	4.00%

The discount rate used to measure the total pension liability was 3 percent. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. The Bond Buyer General Obligation 20-year municipal bond index as of December 31, 2018 is 4 percent. Rounding this to the nearest 1/4 percent results in the discount rate.

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

<b>Sensitivity of the Net Pension Liability</b>			
	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	3%	4%	5%
City's Net Pension Liability	\$2,220,720	\$1,581,864	\$1,032,944

### Investments

As of December 31, 2018, the FPPF had an investment portfolio with a fair value of \$4,478,080 which was invested in U.S. Governmental and Municipal Agencies on behalf of the Firemen's Pension Plan. In addition to these investments, the Plan had cash and cash equivalents totaling \$230,177 in the Washington State Treasurer Local Government Investment Pool (LGIP), a Rule 2a-7 money market type fund with an average portfolio maturity of less than 91 days. All investments are valued at fair value.

As of December 31, 2018 the annual money-weighted rate of return on pension plan investments, net of investment expenses, was 1.76 percent. The money-weighted rate of return considers the changing amounts actually invested during the period and weights the amount of the pension plan investments by the proportion of time they are available to earn a return during the period.

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

### Changes in the Net Pension Liability

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances as of December 31, 2017</b>	<b>\$6,758,440</b>	<b>\$4,697,392</b>	<b>\$2,061,048</b>
Prior Period Adjustment*			
Changes for the year:			
Interest on total pension liability	230,223	-	230,223
Effect of plan changes	-	-	-
Effect of economic/demographic gains/(losses)	-	-	-
Effect of assumptions changes or inputs	(307,070)	-	(307,070)
Benefit payments	(364,410)	(364,410)	-
Medical Payments from fund	-	-	-
Employer contributions	-	266,307	(266,307)
Contributions from state fire insurance premium tax	-	101,077	(101,077)
Net Investment income	-	82,931	(82,931)
Administrative expenses	-	(12,125)	12,125
<b>Balances as of December 31, 2018</b>	<b>\$6,317,183</b>	<b>\$4,735,319</b>	<b>\$1,581,864</b>

\* Net Investment was over stated by \$35,852 in 2017.

### Deferred Outflows of Resources

At December 31, 2018 the City reported deferred outflows of resources related to the FPPF from the following source:

Fire Pension	Deferred Outflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$206,081
<b>TOTAL</b>	<b>\$206,081</b>

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

Year Ended December 31:	FPPF
2019	\$93,412
2020	\$60,302
2021	\$36,104
2022	\$16,263
<b>Total</b>	<b>\$206,081</b>

## **NOTE 8 - RISK MANAGEMENT**

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

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 160 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for automobile physical damage, fidelity, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. 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.

### **B. Property**

The City of Olympia purchases property insurance for buildings, contents, inland marine, and other insurable assets through Factory Mutual Global Insurance. Year 2018 coverage extends to approximately \$320 million of City property with a \$50,000 deductible. The coverage includes \$50 earth movement subject to a 5% per location or \$100,000 deductible and flood coverage subject to a \$50,000 per location deductible.

### **C. Health and Welfare**

The City of Olympia 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, 2018, 257 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 2018, 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"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. 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.

#### D. Settlements

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

### NOTE 9 - LONG-TERM LIABILITIES

#### A. Long-Term Debt

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

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

General obligation bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2018
<b>General Obligation Bonds</b>					
2009A City Hall LTGO	2,400,000	318 - 322	2019	4.199	310,000
2009B City Hall BABs	32,810,000	2,099 - 3,303	2039	4.199	32,810,000
2009 Fire Dept Station and Training Center	16,180,000	1,190 - 1,195	2029	4.035	10,400,000
2010 Streets Projects LTGO	5,865,000	434 - 437	2029	5.00	3,795,000
2010B HOCM LTGO	5,670,000	291 - 563	2028	4.250	3,965,000
2013 WA Center, LED, and Parks LTGO	6,345,000	165 - 560	2032	5.00	3,890,000
<b>Total General Obligation Bonds</b>					<b>\$55,170,000</b>

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2019	2,155,000	3,008,500
2020	2,265,000	2,916,749
2021	3,025,000	2,816,170
2022	2,915,000	2,676,632
2023	2,850,000	2,539,143
2024-2028	16,005,000	10,515,036
2029-2033	11,230,000	6,815,206
2034-2038	12,005,000	3,303,829
2039-2039	2,720,000	177,590
Total	\$55,170,000	\$34,768,855

Enterprise revenue bonds currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2018
<b>Enterprise Revenue Bonds</b>					
2007 Waterworks	8,000,000	240 - 610	2027	4.00-4.125	4,565,000
2010 Waterworks	6,485,000	475 - 480	2030	3.45	4,440,000
2013 Water/Sewer	7,780,000	650 - 910	2023	4.10	4,235,000
<b>Total Enterprise Revenue Bonds</b>					<b>\$13,240,000</b>
<b>Special Assessment Notes - LID Debt</b>					
LID 762 - Woodland Park Water	167,998		2018	6.50	9,798
<b>Total Special Assessment Bonds</b>					<b>\$9,798</b>
<b>Total Bonds Outstanding</b>					<b>\$68,419,798</b>

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

Year Ending December 31,	Business Type Activities	
	Principal	Interest
2019	1,490,000	554,781
2020	1,555,000	487,381
2021	1,625,000	417,031
2022	1,690,000	352,031
2023	1,760,000	284,431
2024-2028	4,220,000	688,238
2029-2033	900,000	59,500
Total	\$13,240,000	\$2,843,393

Loans currently outstanding are as follows:

Issue Name	Amount Authorized	Annual Installments	Final Maturity	Effective Rates	Balance 12/31/2018
<b>State of Washington Trust Fund Loans</b>					
4th Avenue Bridge	6,049,030	360,377	2020	1.00	720,754
4th Avenue Bridge	3,111,250	173,382	2021	1.00	520,148
Sleater-Kinney Sewer	1,808,375	57-62,000	2028	0.05	919,463
Subtotal State of Washington Trust Fund Loans					\$2,160,365
<b>Other Loans</b>					
Local Program Energy Savings	1,534,496	68-171,000	2020	2.97	259,670
U.S. HUD Department Section 108 Loan	325,000	65-66,000	2020	LIBOR + 0.2%	56,000
2016 Parks BAN	10,000,000	\$10,000,000	2019	1.35	10,000,000
2017 Parks Land Promissory Note	2,200,000	1.0 - 1.2M	2019	0.00	1,000,000
2018 Zahn Promissory Note	10,702,224	4.0 M - 700,000	2022	0.00	6,700,000
2018 Minh Promissory Note	950,904	\$250,000-300,000	2021	0.00	700,000
DOE Septic Conversion Assistance Program	250,000	100-900	2031	2.90	76,977
DOE State Ave. Stormwater Retrofit	619,485	5-19,800	2035	2.30	565,096
Yauger Park Stormwater	1,214,018	6-41,000	2031	3.10	814,724
DWSRF McAllister Wellfield Development	6,060,000	284,463	2034	1.50	4,551,414
DWSRF McAllister Wellfield Transmission Pipeline	4,811,640	240,582	2034	1.50	3,849,312
DWSRF McAllister Wellfield Corrosion Control Facility	4,058,632	N/A*	2038	1.50	3,099,410
DWSRF Fones Road Booster Pump Stations	1,931,982	N/A*	2038	1.50	1,773,176
DWSRF SE Olympia Reservoir Loan	11,983,650	N/A*	2037	1.50	8,785,369
Subtotal Other Loans					\$42,231,148
Loans Total					\$44,391,513

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

\*\* The City was awarded two DWSRF Loans at 1.5% interest for \$1,515,000 in 2018. The City did not draw against them in 2018

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

Year Ending December 31,	Governmental Activities		Business Type Activities		Total Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$16,005,593	\$105,936	\$1,461,471	\$376,387	\$17,467,064	\$482,323
2020	1,927,596	28,822	1,511,630	351,835	3,439,226	380,657
2021	2,859,117	17,642	1,514,250	328,881	4,373,367	346,523
2022	700,000	-	1,516,943	305,853	2,216,943	305,853
2023	-	-	1,519,712	282,749	1,519,712	282,749
2024-2028	-	-	7,642,885	1,064,406	7,642,885	1,064,406
2029-2033	-	-	6,656,095	492,662	6,656,095	492,662
2032-2036	-	-	2,611,955	80,925	2,611,955	80,925
2037-2038	-	-	-	-	-	-
Total	\$21,492,306	\$152,400	\$24,434,941	\$3,283,698	\$45,927,247	\$3,436,098

At December 31, 2018, the City has \$84,480 available in debt service funds to service the general bonded debt. Restricted assets in proprietary funds contain \$1,260,900 in reserves as required by bond indentures. The Drinking Water and Wastewater Utilities of the proprietary funds are responsible for the repayment of the Enterprise Revenue Bonds. Revenue bonds are payable from revenues generated by the user fees, and are backed by the Drinking Water and Wastewater Utilities. The Drinking Water and Wastewater Utility Fund has \$24,763,547 in Unrestricted Net Position, ensuring that funds are available for repayment.

There are a number of other limitations and restrictions contained in the various indentures. The City is in compliance with all significant limitations and restrictions. Debt service requirements for the LID 762 Woodland Park Water special assessment bonds are met by assessments levied against property owners. The L.I.D. as of December 31, 2018 has a outstanding balance of \$9,798. The City has no financial obligation for defaults by property owners on special assessment debt except for insuring the funding of the Guaranty Fund and as of December 31, 2018 the Guaranty Fund has a balance of \$79,479. Assessments are liens against the assessed property.

#### Legal debt margin

The City's total legal limit of indebtedness is 7.5% of the assessed property value, \$6,690,364,182, of which 1.5% may be for General Purpose Debt without a vote of the people, 1% may be for General Purpose Debt with a vote of the people, 2.5% may be for Utility Purpose Debt with a vote of the people, and 2.5% may be for Open Space, Parks, and Capital Facilities Debt with a vote of the people. At December 31, 2018 the available debt limit is as follows:

	Debt Limit	Applicable Debt
General Purpose Debt Limit without a vote of the people (1.5%)	\$100,355,463	\$65,287,261
General Purpose Debt Limit with a vote of the people (1.0%)	66,903,642	10,400,000
Utility Purpose Debt Limit with a vote of the people (2.5%)	167,259,105	-
Open Space, Park, and Capital Facilities Debt Limit with a vote of the people (2.5%)	167,259,105	-
	<u>\$501,777,315</u>	<u>\$75,687,261</u>

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

The following table displays total annual debt service requirements to maturity on all bonds and loans including interest as of December 31, 2018. Amounts listed include principal and interest.

Year Ending December 31,	Bonds	Other Loans	Trust Fund Loans	Total
2019	\$ 7,208,279	\$ 17,309,275	\$ 640,112	\$ 25,157,666
2020	7,224,130	3,184,702	635,181	11,044,013
2021	7,883,201	4,450,017	269,874	12,603,092
2022	7,633,663	2,427,632	95,164	10,156,459
2023	7,433,574	1,707,757	94,704	9,236,035
2024	6,486,155	1,687,882	94,245	8,268,282
2025	6,478,782	1,668,007	93,785	8,240,574
2026	6,472,825	1,648,132	93,325	8,214,282
2027	6,464,833	1,628,258	92,865	8,185,956
2028	5,525,680	1,608,384	92,406	7,226,470
2029	5,210,359	1,588,509	-	6,798,868
2030	3,546,996	1,534,752	-	5,081,748
2031	3,538,920	1,465,497	-	5,004,417
2032	3,494,359	1,370,133	-	4,864,492
2033	3,214,071	1,189,868	-	4,403,939
2034	3,166,077	1,173,442	-	4,339,519
2035	3,117,194	631,972	-	3,749,166
2036	3,062,115	478,730	-	3,540,845
2037	3,010,810	408,734	-	3,419,544
2038	2,952,635	-	-	2,952,635
2039	2,897,590	-	-	2,897,590
2040	-	-	-	-
2041	-	-	-	-
Total	106,022,248	\$47,161,683	\$2,201,661	\$155,385,592

### C. Current Portion of Long Term Liabilities

The following table displays the principal portion of each debt instrument that is due within one year of the statement date of December 31, 2018:

<b>State of Washington Trust Fund Loans</b>	
4th / 5th Ave Corridor	533,759
Sleater Kinney Sewer Project	91,946
Subtotal State of Washington Trust Fund Loans	<u>\$625,705</u>
<b>State of Washington Local Loans</b>	
Yauger Park Stormwater	\$60,003
LOCAL Program Energy Savings	171,834
DWSRF McAllister Wellfield Loan	284,463
DWSRF McAllister Pipeline Loan	240,582
DWSRF McAllister Reservoir Loan	465,704
DWSRF McAllister Corrosion Control Facility	182,318
DWSRF Fones Rd Booster Pump Station	104,304
DOE Septic Connection Assistance Loan	4,665
DOE State Avenue Stormwater Loan	27,485
Subtotal State of Washington Local Loans	<u>\$1,541,358</u>
<b>Other Debt and Loans</b>	
U.S. Department of HUD Section 108 Loan	-
2016 Parks Bond Anticipation Note (BAN)	10,000,000
2017 Parks Land Promissory Note	1,000,000
2018 Zahn Promissory Note	4,000,000
2018 Mihn Promissory Note	300,000
Subtotal Other Debt and Loans	<u>\$15,300,000</u>
<b>Enterprise Revenue Bonds</b>	
2007 Waterworks	415,000
2010 Waterworks	295,000
2013 Water/Sewer Bond	780,000
Subtotal Enterprise Revenue Bonds	<u>\$1,490,000</u>
<b>General Obligation Bonds</b>	
2009A City Hall LTGO	310,000
2009 Fire Stn Construction LTGO	770,000
2010 Streets Projects LTGO	280,000
2010B HOCM LTGO	290,000
2013 WA Center, LED, and Parks LTGO	505,000
Subtotal General Obligation Bonds	<u>\$2,155,000</u>
Total Principal amount due within one year	<u><u>\$21,112,063</u></u>



#### D. Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	Balance 1/1/2018	Additions	Retirements	Balance 12/31/2018	Due Within One Year
<b>Governmental Activities</b>					
G.O. Bonds	\$57,230,000	\$ -	\$2,060,000	\$55,170,000	\$2,155,000
Premium	590,241	-	39,350	550,891	39,349
Total Bonds Payable	57,820,241	-	2,099,350	55,720,891	2,194,349
Special Assessment Notes	9,798	-	-	9,798	-
Other Loans	11,513,889	12,886,749	5,684,968	18,715,670	15,471,834
WA State Trust Fund Loans	1,774,661	-	533,759	1,240,902	533,759
Net Pension Liability - State Plans	15,054,148	14,305,625	17,634,472	11,725,301	-
Net Pension Liability - Fire Pension	2,061,048	(28,869)	450,315	1,581,864	-
OPEB payable	11,575,211	25,656,297	11,575,211	25,656,297	-
Compensated Absences	5,346,852	3,735,323	4,014,102	5,068,073	4,013,741
Subtotal	\$105,155,848	\$56,555,125	\$41,992,177	\$119,718,796	\$22,213,683
<b>Business - Type Activities</b>					
Enterprise Revenue Bonds	\$14,670,000	\$ -	\$1,430,000	\$13,240,000	\$1,490,000
Premium	419,250	-	68,613	350,637	68,612
Discount	(20,949)	-	(2,186)	(18,763)	(2,186)
Total Bonds Payable	15,068,301	-	1,496,427	13,571,874	1,556,426
WA State Trust Fund Loans	1,011,409	-	91,946	919,463	91,946
Other Loans	16,270,088	8,670,004	1,424,614	23,515,478	1,369,524
Net Pension Liability	4,974,371	5,448,892	6,698,443	3,724,820	-
Compensated Absences	970,596	1,242,604	1,173,730	1,039,470	1,029,672
Subtotal	\$38,294,765	\$15,361,500	\$10,885,160	\$42,771,105	\$4,047,568
<b>Total</b>	<b>\$143,450,613</b>	<b>\$71,916,625</b>	<b>\$52,877,337</b>	<b>\$162,489,901</b>	<b>\$26,261,251</b>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$39,621 of internal service funds compensated absences are included in the above amounts, of which \$39,621 is estimated to be used in the next year. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. It is estimated that the amount of compensated absences to be used in the next year in Governmental and Business-Type Activities is \$3,979,301 and \$1,173,730 respectively. The Other Post-Employment Benefits Trust Fund (a sub-fund of the General Fund) provides funding for the payment of the benefits related to the Other Post-Employment Benefits (OPEB), however the General Fund would be responsible for funding beyond the available resources of the OPEB Trust Fund. In 2018 GASB 75 was implemented changing the method of calculation for OPEB. Due to this you will see a retirement of \$11,575,211, which is the liability under the old method GASB 45, and an addition of \$25,656,297 which is the implementation of the new method under GASB 75. For further information related to OPEB see Note 17 Postemployment Benefits Other than Pension Benefit.

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

The net pension liability of the fire pension plan is generally liquidated by the Fire Pension Plan Trust Fund, however the General Fund would be responsible for funding beyond the available resources of the Fire Pension Trust Fund. For further information related to the Fire Pension Plan Trust Fund see Note 7 B. Firemen's Pension.

#### E. Arbitrage Rebate

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. The City of Olympia monitors its bond spend-down and investments to restrict earnings to a yield less than the bond issue, and therefore limits any arbitrage liability. As of December 31, 2018 the City has no arbitrage rebate liability.

## NOTE 10 - LEASES

### A. Operating Leases

The City leases land, building, and police radios under noncancelable operating leases. Total cost for such leases was \$103,400 for the year ended December 31, 2018. The future minimum lease payments for these leases are as follows:

Year Ending December 31,	Amount
2019	103,400
2020	44,000
2021	20,000
2022	20,000
2023 - 2027	100,000
2028 - 2032	100,000
2033 - 2037	100,000
2038 - 2042	100,000
2043 - 2047	100,000
2048 - 2052	100,000
2053 - 2054	40,000

## NOTE 11 - CONTINGENCIES AND LITIGATIONS

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

### A. Litigation

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

### B. Contingent Liabilities

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

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

### C. Pollution Remediation

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

#### 1. Parking Lot – State Avenue

In 2008 the city purchased property for the State Department of Transportation (DOT) to develop a parking lot. The purchase and sale agreement called for the City to clean up the contaminated site and be reimbursed by the DOT for all costs up to the amount of the land purchase, \$1,284,462, in addition to interest earned on the proceeds. The site is remediated at a cost of \$1,521,439 and the DOT has reimbursed the City \$1,384,049. In 2015 the City sold a portion of the site to a developer for the purpose of building low income housing. The City will continue to monitor both sites and work with the Department of Ecology to receive a "No Further Action Required" letter.

#### 2. Percival Landing's Southern Site

Percival Landing's southern site is made up of two parcels, the Olympia Center Parking lot and the City of Olympia Waste Water pump station. The parking lot parcel was acquired in 1988 and the sewer pump parcel was purchased in 1949. These parcels contain contaminated soil and the City is working to complete the site investigation phase with the Department of Ecology's oversight. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the city may capitalize those costs with the development, the city has not accrued any liability on the Entity-Wide Statement of Net Position. The city is under no current obligation for immediate remediation action on the southern site.

3. 8th Avenue Park

In 2006, the City purchased this four acre parcel at 3000 8th Ave NE to be a future park. The site contains soil contamination from its historic use as a commercial berry farm and is currently closed to public use. Cost estimates for site cleanup have not been determined. Because of the undetermined nature and timing of the cleanup, and the fact that any future remediation may coincide with further development of the site, and that the city may capitalize those costs with the development, the city has not accrued any liability on the Entity-Wide Statement of Net Position. The city is under no current obligation for immediate remediation action on the southern site.

4. West Bay

In 2005 the City acquired property on West Bay Drive from the Port of Olympia to develop a waterfront park. The site was located in an area historically subject to industrial uses, and it was known that portions of the property were contaminated. Clean-up actions on the northern portion of the site were associated with Phase 1 of the West Bay Park, and were completed in 2009. The City has spent approximately \$1,494,423 on remediation, and received approximately \$802,455 in reimbursements from a Department of Ecology grant and \$439,412 from the Port of Olympia; the unreimbursed costs have been capitalized. The City is continuing to monitor and test the northern part of the site until the Department of Ecology confirms full remediation.

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

5. Isthmus Property

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

6. Heritage Fountain Parcels

In 1994, the City acquired the Heritage Fountain property to develop the Heritage Park Fountain. A portion of the site contained a former fuel station that operated between 1932 and 1959. Between 1995 and 1997, the City removed contaminated soil and operated an air sparge and soil vapor recovery system to provide for the final treatment of contaminated soil and groundwater at the site. In 2013, the Department of Ecology notified the City that the documentation demonstrating cleanup standards were achieved for the soils and groundwater submitted to Ecology was insufficient. In 2007, the City acquired the adjacent parcel to add to the Heritage Park site. During the redevelopment of 4th Avenue in 2002, this parcel was confirmed to contain contaminated soil and investigated in 2007. Any future investigations for the Heritage Fountain site will include both of these parcels. Cost estimates for further site characterization and/or cleanup have not been determined. The City has not accrued any liability on the Entity-Wide Statement of Net Position. The City is under no current obligation for immediate remediation action.

7. West Olympia Landfill

In the early 1940s, the City purchased property that had been used for household waste disposal and continued operating it as a municipal landfill through the late 1960s. Since the mid-1980s, numerous investigations have been conducted (mostly by development companies) to understand the extent of any contamination. The results of many onsite and offsite soil, waste, soil gas, and groundwater tests indicate low levels of solvent waste in groundwater only. The City is currently in the process of establishing an Agreed Order with the Department of Ecology to finalize site characterization efforts and determine remedial activities. The City is positioning the property for sale and future remediation activities are expected to coincide with development. The City has not accrued any liability on the Statement of Net Position.

8. Water Street Wastewater Lift Station

The City has owned and operated a sewage lift station in the 200 block of Water Street since 1961. In 1998, an underground storage tank used to supply diesel fuel for the backup generator was replaced with an above ground storage tank. During this replacement it was discovered that diesel fuel had leaked from the underground storage tank. The City is monitoring the site as part of a voluntary cleanup program. The City has not accrued any liability on the Statement of Net Position due to the unknown cost and unknown date of cleanup. The City is under no current obligation from the Department of Ecology for immediate remediation action.

9. Miller and Central Wastewater Lift Station

The City has owned and operated a sewage lift station in the 1900 block of Miller Avenue since 1970. In 1998, an underground storage tank used to supply diesel fuel for the backup generator was replaced with an above ground storage tank. During this replacement it was discovered that diesel fuel had leaked from the underground storage tank. The City is monitoring the site as part of a voluntary cleanup program. The City has not accrued any liability on the Statement of Net Position due to the unknown cost and unknown date of cleanup. The City is under no current obligation from the Department of Ecology for immediate remediation action.

10. 7th Avenue Right-of-Way

In 2005, the city reconstructed 7th Avenue between Water Street and Columbia Street. During construction contaminated soils were encountered at approximately mid-block on the north side of the street. Excavated soils were disposed of at a hazardous waste facility. Future excavation for utility maintenance or construction may trigger the need for additional action. The City is under no current obligation from Ecology for immediate remediation action and due to the unknown cost and unknown date of cleanup, the City has not accrued a liability on the Statement of Net Position.

## NOTE 12 – RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$53,191,533 of restricted net position, of which \$14,050,919 is restricted by enabling legislation. The remaining \$39,140,614 is restricted by other legally binding contracts. Restricted net position details for the year ended December 31, 2018 are listed in the following chart:

Restricted Net Position			
	Governmental Activities	Business-Type Activities	Total
<b>Total Liabilities</b>			
<b>Restricted by Enabling Legislation:</b>			
Impact Fees	\$8,002,566	\$-	\$8,002,566
SEPA Mitigation	1,398,438	-	1,398,438
Boating Safety, Seizure and Forfeitures, Other	248,453	-	248,453
HUD Programs	4,401,462	-	4,401,462
<b>Subtotal of Restricted by Enabling Legislation</b>	<b>\$ 14,050,919</b>	<b>\$ -</b>	<b>\$14,050,919</b>
<b>Restricted by Other Legal Means:</b>			
Transportation, Parking, and Parks	\$15,425,898	\$-	\$15,425,898
Net Pension Asset	14,473,921	-	14,473,921
Workers Comp Reserve	2,436,913	-	2,436,913
Other Post Employment Benefits (OPEB)	2,620,447	-	2,620,447
Lodging Tax	1,366,150	-	1,366,150
Hands On Children's Museum	528,637	-	528,637
Housing and Homeless Programs	347,916	-	347,916
Prepaid Items and Inventory	364,336	-	364,336
Bond Fund and LID Fund Reserve	80,435	1,260,900	1,341,335
Farmers Market	76,700	-	76,700
Washington Center	85,179	-	85,179
Debt Services	73,182	-	73,182
Public Defense Improvements	-	-	-
<b>Subtotal of Restricted by Other Legal Means</b>	<b>37,879,714</b>	<b>1,260,900</b>	<b>39,140,614</b>
<b>TOTAL RESTRICTED NET POSITION</b>	<b>\$51,930,633</b>	<b>\$1,260,900</b>	<b>\$53,191,533</b>

### NOTE 13 - INTERFUND TRANSFERS

Interfund transfers at December 31, 2018 are listed below.

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

There was one significant transfer made during the year that was not considered a routine transfer or consistent with the activities of the fund making the transfer. This transfer was from the Washington Center Endowment Fund previously reported as a Trust and Agency Fund. In 2018 the fund was reclassified as a General Fund Sub-Fund on the basis that the funds do not meet the requirements to be a Fiduciary Trust Fund. All transfers are consistent with the activities of the funds making the transfer.

TRANSFERS OUT											
Fund Types	FUND	General Fund	Special Revenue Funds			Capital Project Funds		Enterprise Funds			Total
			Impact Fee Fund	Lodging Tax Fund	Parks & Recreation Utility Tax Fund	Capital Improvement Fund	Other Governmental Funds	Drinking Water/Wastewater Funds	Waste Resources Funds	Storm & Surface Water Funds	
General Fund	001-099	-	-	444,376	-	1,779,101	1,805,244	30,711	13,514	125,606	4,198,552
Debt Service Funds		200-299	435,611	-	121,357	-	678,355	-	-	-	1,845,880
Capital Project Funds											
Capital Improvement Fund	317	1,220,000	3,475,224	-	3,270,234	-	3,076,362	-	-	2,749	11,044,569
Fire Equipment Reserve Fund	331	200,000	-	-	-	-	-	-	-	-	200,000
Total Other Cap Proj Funds	NM - CPF	200,000	-	-	-	-	-	-	-	-	200,000
Other Governmental Funds	Non-major funds	810,557	435,611	-	121,357	-	678,355	-	-	-	2,045,880
<b>Total Transfers Out</b>		<b>\$2,030,557</b>	<b>\$3,910,835</b>	<b>\$444,376</b>	<b>\$3,391,591</b>	<b>\$1,779,101</b>	<b>\$5,559,961</b>	<b>\$30,711</b>	<b>\$ 13,514</b>	<b>\$128,355</b>	<b>\$7,289,001</b>

## NOTE 14 – RECEIVABLE BALANCES

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

### A. Governmental Receivables

At December 31, 2018, the receivables from other governmental units consisted of the following:

<b>Governmental Funds</b>	
General Fund	
Tumwater Fire Department	5,747
Thurston County Fire District 9	15,288
Thurston County Medic	465,411
Thurston County Fire District 3	13,240
West Thurston Fire Authority	3,245
Thurston County Fire District 13	1,475
FEMA	120,651
Olympia School District	28,184
Shared State Revenue	257,912
Thurston County Housing Authority	8,824
Lacey Fire District #3	6,909
South Bay Fire District	1,311
City of Tumwater	10,651
Thurston County Fire District #8	2,357
McLane Black Lake Fire District #9	4,727
	<hr/>
	\$945,932
Special Revenue Funds	
Department of Housing and Urban Development	69,810
State Shared Revenue	98,158
	<hr/>
	167,968
Capital Project Funds	
State Shared Revenue	523,039
Puget Sound Energy	9,249
Recreation Conservation Office	1,706,553
Department of Transportation	5,374
Olympia School District	15,000
	<hr/>
	2,259,215
<b>Business-Type Funds</b>	
Enterprise Funds	
City of Lacey	1,914
City of Tumwater	895
Thurston County	57
Department of Ecology	169,121
Lott Alliance	7,811
Port of Olympia	12,142
State Shared Revenue	25,051
Department of Health	151,197
	<hr/>
	368,188
Internal Service Funds	
WA State Department of Enterprise Systems Fleet	10,251
	<hr/>
	10,251
Total Receivables	<hr/>
	\$3,751,554

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

At December 31, 2018, the receivables from current and long-term notes, contracts, and loans receivable consisted of the following:

General Fund	Current	Non-Current	Total
HUD Downtown Housing	79,741	2,116,388	2,196,129
Subtotal - General Fund	79,741	2,116,388	2,196,129
<b>Special Revenue Funds</b>			
Deferred Loans Receivable			
HUD Block/Shelter Grant	140,762	4,401,462	4,542,224
<b>Total Long Term Receivables</b>	<b>\$220,503</b>	<b>\$6,517,850</b>	<b>\$6,738,353</b>

## NOTE 15 - JOINT VENTURES AND INTERLOCAL AGREEMENTS

### A. Joint Ventures

#### 1. Animal Protection Services

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

An equity interest exists for the cities of Lacey, Olympia and Tumwater, and Thurston County. In 2018 the City of Olympia had a 22.96 percent share of the equity. Net Position as of December 31, 2018, was \$3,352,881. The City of Olympia reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position. The current equity share for the City is valued at \$769,821.

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

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

#### 2. Interlocal Drug Unit

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

#### 3. Law Enforcement Records Management System

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

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, 2018, the City of Olympia has a 42.00% share of the equity. Net Position as of December 31, 2018, was \$75,284. The City of Olympia reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position. The current equity share for the City is valued at \$31,620.

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

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

## **B. Interlocal Agreement**

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

In 2006, the City of Olympia entered into a contract with the Capital Area Regional Public Facilities District (PFD) for the acquisition, development, operation and maintenance of the Hands On Children's Museum (HOCM). The PFD imposes a sales and use tax pursuant to RCW 82.14.390 to repay any financing obtained to fund the design, construction, acquisition, operation and/or maintenance of the museum. The monies collected as sales taxes shall only be used for the purposes permitted under RCW 82.14.390 and RCW 35.57.020. In 2018, the City of Olympia received \$527,052 in sales taxes levied by the PFD and is accounted for within the HOCM Special Revenue Fund.

### **2. LOTT Alliance**

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

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

The Council was formed by an interlocal agreement with Thurston County, and the cities of Lacey, Olympia, and Tumwater. Under the interlocal agreement the County and Cities agree to contribute funding in order to address unmet areas of need in health and human services. The Council will set priorities and provide oversight to ensure better utilization of the funding available for health and human resources within Thurston County. In 2018, the City of Olympia contributed \$91,810, which is received by Thurston County Public Health and Social Services Department.

## **NOTE 16 – UTILITY RATES**

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

During 2018, basic residential garbage rates consisted of \$10.41 for one 20 gallon can service. The basic commercial rate for one 10 gallon can service was \$7.10.

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

During 2018 basic monthly single family and duplex residential rates consisted of a \$12.98 ready to serve rate.

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

Block 1 (0 - 500 cubic feet): ..... \$1.80 per 100 cubic feet of water consumed.

Block 2 (501 - 1000 cubic feet): ..... \$3.15 per 100 cubic feet of water consumed.

Block 3 (1001 - 1500 cubic feet): ..... \$5.03 per 100 cubic feet of water consumed.

Block 4 (1501+ cubic feet): ..... \$6.62 per 100 cubic feet of water consumed.

The Water General Facility Charge (GFC) was \$4,433. The GFC is charged for a new hook-up to the system.

### **C. Wastewater:**

During 2018 the local collection charge was billed \$21.47 per ERU. The Sewer General Facility Charge (GFC) was billed \$3,442 per ERU.

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

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

During 2018, the rate for single family residences and duplexes was \$13.37 and \$26.74 per month respectively. Accounts other than single family and duplex are charged an \$13.08 administrative fee plus \$4.92, \$10.28, and \$12.97 per billing unit of impervious surface based on the date of development.



## NOTE 17 - DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

### A. Other Postemployment Benefit

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2018:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$25,656,297
OPEB assets	\$ -
Deferred outflows of resources	\$ -
Deferred inflows of resources	\$ -
OPEB expenses/expenditures	\$-1,695,760

\*The discount rate in 2017 was 3.5%, in 2018 it increased to 4% which created a negative expense (revenue).

#### 1. OPEB Plan Description:

The City of Olympia participates in the LEOFF 1 plan for Fire and Police. The plan is a single-employer defined benefit plan administered by The City of Olympia for employees hired before October 1, 1977 as required by RCW 41.26. The eligible members are covered under LEOFF Plan 1.

The City LEOFF1 plan provides benefits in accordance with RCW41.26. Under the authorization of the LEOFF Disability Board, direct payments are made for medical, dental, long term care, vision, counseling, hearing aids and preventative care. Each member of LEOFF1 qualifies for all benefits. LEOFF1 is closed to new employees. The authority under which benefit terms are established or amended is determined by RCW41.26.

There are 32 inactive Police Officers and 33 inactive Fire Fighters that are covered and receiving OPEB Benefits.

#### Employees Covered By the Benefit terms:

At December 31, 2018 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	N/A
Active employees	N/A
Total	65

#### 2. Funding

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust. The City paid \$802,771 in medical benefits for plan members in year ending Dec 31, 2018.

Assumptions and Other Inputs	
Discount Rate	\$25,656,297
Beginning of Year	3.5%
End of Year	4.0%
Mortality Table	RP-2000 Mortality Table
Mortality Improvements	100% Scale BB
Age Setback	-1 year males/ +1 year female/ -2 year disabled
Actuarial Cost Method	Entry Age Normal

The following represents the total OPEB liability of the City calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate. The rate is a blended rate with each benefit and age bracket having its own weighted percentage.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$22,626,539	\$25,656,297	\$29,247,724

The following presents the total OPEB liability of the City calculated using the discount rate of 4 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2 percent) or 1-percentage point higher (5 percent) than the current rate.

	1% Decrease (3%)	Current Healthcare Cost Trend Rate (4%)	1% Increase (5%)
Total OPEB Liability	\$29,562,818	\$25,656,297	\$22,462,020

#### Changes in the Total OPEB Liability

LEOFF1	
Total OPEB Liability at 01/01/2017	\$27,352,057
Service cost	
Interest	943,678
Changes of benefit terms	
*Differences between expected and actual experience	
*Changes of assumptions	-1,853,008
Benefit payments	-786,430
Other changes	
Total OPEB Liability at 12/31/2018	\$25,656,297
*The measurement date of the actuarial valuation was December 31, 2018.	
The actuarial valuation from June 31, 2018 was rolled forward to this new measurement date.	

In 2018 the discount rate increased from 3.5% to 4% reducing the projected benefit payments and change of assumption for the City. The City did not have any deferred outflows or inflows because the remaining service life was determined to be under 1 year. All expenses related to pension were recognized in the reporting year.

## **B. AWC Benefits Trust**

### **1. Trust Description**

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

## 2. Funding Policy

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

Type of Coverage	Monthly Retiree Cost
<b>Regence and Asuris HealthFirst 1000</b>	
Retiree only - Non-Medicare Coverage	\$863.64
Retiree and Spouse - Non-Medicare Coverage	\$1,734.82
Retiree with Medicare A&B (Medicare Advantage)	\$395.23
Retiree and Spouse with Medicare A&B (Medicare Advantage)	\$790.46
<b>Kaiser Permanente</b>	
Retiree only - Non-Medicare Coverage	\$1,326.98
Retiree and Spouse - Non-Medicare Coverage	\$2,615.28
Retiree with Medicare Coverage & Spouse without	\$453.53
Retiree and Spouse - with Medicare Coverage	\$907.06
<b>Delta Dental of Washington</b>	
Retiree only	\$61.54
Retiree and Spouse	\$125.42
Retiree and Child(ren)	\$124.57
Retiree and Spouse & Child(ren)	\$187.11

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

## C. Northwest Fire-Fighters Benefits Trust

### 1. Trust Description

The City is a participating employer in the Northwest Fire Fighter Benefits Trust, a cost-sharing multiple employer welfare benefit plan administered by Benefit Solutions and DiMartino Associates. The Trust provides medical and dental benefits to certain eligible retired employees of participating employers and their eligible family members. The Board of Trustees has the authority and power to amend the amount and nature of the medical and dental benefits provided by the Trust. The Trust's governing documents, conflict of interest policy, financial statements, and Form 990 are available to the general public upon written request to Benefit Solutions, Inc. at PO Box 6, Mukilteo, WA 98275.

### 2. Funding Policy

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

Type of Coverage	Monthly Retiree Cost
<b>Regence NWFFT Plan \$1500</b>	
Retiree only - Non-Medicare Coverage	\$600.05
Retiree and Spouse - Non-Medicare Coverage	\$1,310.85
<b>Regence NWFFT Plan \$5000</b>	
Retiree only - Non-Medicare Coverage	\$497.95
Retiree and Spouse - Non-Medicare Coverage	\$1,087.79
<b>NWFFT Medigap Plan</b>	
Medigap Plan (per enrollee)	\$201.76
<b>NWFFT RX Coverage</b>	
Aetna High Rx Plan (per enrollee)	\$338.80
Aetna Low Rx Plan (per enrollee)	\$142.12
<b>NWFFT Retiree Dental</b>	
Retiree only	\$54.49
Retiree and 1 Dependent	\$101.58
Retiree and 2 Dependent	\$166.46

Participating employers are not required to contribute an assessed rate for non-LEOFF 1 retirees. The City does not contribute to the Trust on behalf of its non-LEOFF 1 retirees.

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

### **A. Olympia Transportation Benefit District:**

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

The transportation benefit districts sole purpose is to acquire, construct, improve, provide, and fund transportation improvement within the City of Olympia, which is consistent with any existing state, regional, and local transportation plan. RCW 36.73.065 gives the Olympia TBD authorization to impose taxes, fees, charges and tolls. The Olympia TBD currently collects \$40 vehicle registration. The fees are imposed on vehicles registered within the district.

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

### **B. Olympia Metropolitan Park District:**

During the fiscal year 2015 the voters of the City of Olympia approved the creation of the Olympia Metropolitan Park District (OMPD). The Washington State RCW 35.61 and other state laws provides the authority for the voters and the City to establish the OMPD. The OMPD governing board is comprised of all the members of the Olympia City Council and therefore the management of the City of Olympia has operational responsibility of the OMPD. The operations of the OMPD are so closely related to those of the City that it is reported as if it were part of the primary government.

The OMPD's sole purpose is to generate revenue to provide ongoing funding to maintain, operate, construct, improve and acquire parks, community centers, athletic fields and other recreation facilities within the City of Olympia. State law gives the OMPD authorization to impose taxes for these purposes. In 2018, the OMPD imposed property taxes on properties within the district's boundaries. Please see note 5.C. for more information on the collection of property taxes.

The OMPD is accounted for in Fund 141, a Special Revenue Fund. Financial reporting for this fund can be found in the Combining Statements located in the Other Financial Information section of this report.

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

### **A. Future Implementation of the new GASB Statement 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pension**

Issued in 2015, the primary objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions (OPEB). This Statement was implemented in the reporting year of 2018. During implementation The City was required to recognize all expenses in the current year due to our service life being under one year. These entries affected the entity wide reporting. For more information see note 17.

### **B. New Funds**

During the fiscal year 2018 the following Funds were opened:

#### Special Revenue Fund

In 2018 The City of Olympia opened two new funds. These Funds were created as a result of a sales tax increase passed by tax payers to provide funding for housing, mental and behavioral health related facilities, operation and maintenance cost, and treatment centers where housing related programs are provided. The operating portion of the sales tax is held in Fund 142 called The Home Fund Operating Fund, while the capital portion of this sales tax increase is held in fund 318 called The Home Fund Capital Fund. These are both reported as Major Funds.

#### Capital Improvement Fund

The City of Olympia opened "Home Fund Capital Improvement" which holds the capital portion of the sales tax increase. This ensures it is separate from the operating portion.

### **C. Prior Period Adjustments**

#### **1. GASB-33 Reinterpretation**

In 2018, the City of Olympia reinterpreted GASB Statement 33 relating to accounting for Non-Exchange Transactions. Due to this reevaluation, the City began accruing Non-Exchange transactions in Governmental Funds, not the Entity-Wide statements as it had since GASB-33 was issued. This accrual resulted in a prior period adjustment to fund balance of Governmental Funds in the amount of \$9,924,465 representing the 2018 revenue that would have been accrued into 2017 on last years statements.

## 2. Unearned Revenue

Previously, the City of Olympia reported the Long Term portion of HUD Loans Receivable as Unearned Revenue. After review, it was felt that the City should be reporting that portion as Restricted Fund Balance. This resulted in an increase to fund balance in Fund 107 – HUD Fund of \$4,401,462. This is shown as a prior period adjustment on the Statement of Activities and the Major Fund Statement of Revenues, Expenditures and Change in Fund Balances Governmental Funds.

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

#### Governmental Activities

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

<b>Total Capital Assets - Governmental-Type Activities</b>				<b>\$ 258,584,513</b>
<b>Governmental Funds</b>				
<b>Total Governmental Funds Capital Assets</b>				<b>\$ 251,258,756</b>
<b>GO BONDS</b>	<b>Par Value</b>	<b>Outstanding 12/31/18</b>	<b>Proceeds Spent thru 12/31/18</b>	<b>Net Outstanding</b>
2009 City Hall Bonds	35,210,000	33,120,000	35,210,000	33,120,000
2009 Fire Station Bonds	16,180,000	10,400,000	16,180,000	10,400,000
2010 HOCM Bonds	5,670,000	3,965,000	5,670,000	3,965,000
2010 Transportation Bonds	5,865,000	3,795,000	5,865,000	3,795,000
2013 Washington Center, LED, and Parks Bond	6,345,000	3,890,000	6,345,000	3,890,000
Total GO Bonds	\$ 69,270,000	\$ 55,170,000	\$ 69,270,000	\$ 55,170,000
<b>PWTFL LOANS</b>				
4th / 5th Ave. Corridor	6,721,144	720,754	6,721,144	720,754
4th / 5th Ave. Corridor	3,275,000	520,148	3,275,000	520,148
Total PWTFL Loans	9,996,144	1,240,902	9,996,144	1,240,902
<b>OTHER LOANS</b>				
State Of WA LOCAL Program Loan	1,534,496	259,670	1,466,250	259,670
U.S. HUD Department Section 108 Loan	325,000	56,000	121,000	56,000
2016 Parks BAN	10,000,000	10,000,000	10,000,000	10,000,000
2017 Parks Land Promissory Note	2,200,000	1,000,000	2,200,000	1,000,000
2018 Zahn Property	10,702,224	6,700,000	10,702,224	6,700,000
2018 Minh Smith	950,904	700,000	950,904	700,000
Total Other Loans	25,712,624	18,715,670	25,440,378	18,715,670
<b>Interfund Loans</b>				
2018 Home Fund Interfund Loan	2,450,000	1,350,735	1,350,735	1,350,735
2018 Fire Equipment Interfund Loan	85,000	85,000	85,000	85,000
2018 HUD Loan	100,000	100,000	100,000	100,000
Total Interfund Loans	2,635,000	1,535,735	1,535,735	1,535,735
<b>LID NOTES</b>				
LID #762 - Woodland Park Water	167,998	9,798	167,998	9,798
Total Other Loans	167,998	9,798	167,998	9,798
Total - Governmental Funds Debt	\$ 107,781,766	\$ 76,672,105	\$ 106,410,255	\$ 76,672,105
Net Investment in Capital Assets - Governmental Funds				\$ 174,586,651
<b>Internal Service Funds</b>				
Total Internal Service Capital Assets				\$ 7,325,757
Net Investment in Capital Assets - Internal Service Funds				\$ 7,325,757
<b>Total Governmental Investment in Capital Assets</b>				<b>\$ 181,912,409</b>

Business-Type Activities

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

<b>Total Capital Assets - Business-Type Activities</b>				<b>\$128,291,161</b>
	<b>Par Value</b>	<b>Outstanding 12/31/18</b>	<b>Proceeds Spent thru 12/31/18</b>	<b>Net Outstanding</b>
<b>Drinking Water/Wastewater Utility</b>				
Capital Assets - Drinking Water				\$105,673,527
<b>ENTERPRISE REVENUE BONDS</b>				
2007 Waterworks	\$ 8,000,000	\$ 4,565,000	\$ 8,000,000	\$ 4,565,000
2010 Waterworks	6,485,000	4,440,000	6,485,000	4,440,000
2013 Waterworks	8,443,094	4,235,000	8,443,094	4,235,000
Total Enterprise Revenue Bonds	22,928,094	13,240,000	22,928,094	13,240,000
<b>PWTFL LOANS</b>				
Sleater-Kinney Sewer	1,676,507	919,463	1,676,507	919,463
Total PWTFL Loans	1,676,507	919,463	1,676,507	919,463
<b>OTHER LOANS</b>				
Department of Ecology - Septic Assistance	97,853	76,977	97,853	76,977
DWSRF McAllister Wellfield Development	6,060,000	4,551,414	5,689,267	4,551,414
DWSRF McAllister Wellfield Transmission Pipe	4,811,640	3,849,312	4,811,640	3,849,312
DWSRF SE Olympia Reservoir Loan	11,983,650	8,785,369	9,162,884	8,785,369
DWSRF McAllister Wellfield Corrosion Control Facility	4,058,632	3,099,410	3,311,013	3,099,410
DWSRF Fones Road Booster Pump Stations	1,931,982	1,773,176	1,931,982	1,773,176
DWSRF Elliot Ave Reservoir Seismic Retrofit	1,515,000	-	-	-
DWSRF Fir St Reservoir Seismic and Valve House Retrofit	1,515,000	-	-	-
Total OTHER Loans	31,973,757	22,135,658	25,004,639	22,135,658
Total - Drinking Water/Wastewater Utility Debt	56,578,358	36,295,121		36,295,121
Net Investment in Capital Assets - Drinking Water/Wastewater Utility				\$ 69,378,406
<b>Storm and Surface Water Utility</b>				
Capital Assets - Storm and Surface Water				\$ 22,355,590
<b>PWTFL LOANS</b>				
State Of WA Public Works Board	1,214,018	814,724	1,214,018	814,724
Total PWTFL Loans	1,214,018	814,724	1,214,018	814,724
<b>OTHER LOANS</b>				
Department of Ecology - State Ave. Stormwater Retrofit	619,485	565,096	619,485	565,096
Total PWTFL Loans	619,485	565,096	619,485	565,096
Total - Storm and Surface Water Utility Debt	1,833,503	1,379,820		1,379,820
Net Investment in Capital Assets - Storm and Surface Water Utility				\$ 20,975,770
<b>Waste Resources Utility</b>				
Capital Assets - Waste ReSources				262,044
Total - Waste ReSources Utility Debt	-	-		-
Net Investment in Capital Assets - Waste ReSources Utility				262,044
<b>Total for All Utilities</b>	<b>\$58,411,861</b>	<b>\$ 37,674,941</b>		<b>\$ 37,674,941</b>
<b>Capital Assets Net of Related Debt</b>				<b>\$ 90,616,220</b>

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund  
For Year Ended December 31, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$53,969,976	\$53,969,976	\$53,618,745	\$(351,231)
Licenses and Permits	3,948,550	3,948,550	3,562,120	(386,430)
Intergovernmental Revenues	2,156,891	3,226,114	3,729,957	503,843
Charges for Services	16,271,819	16,745,992	16,885,671	139,679
Fines and Forfeits	911,500	911,500	851,045	(60,455)
Miscellaneous Revenues	3,323,442	3,674,118	3,783,993	109,875
Total Revenues	80,582,178	82,476,250	82,431,531	(44,719)
EXPENDITURES				
Current:				
General Government Services	26,953,632	32,704,271	25,067,314	(7,636,957)
Security of Persons and Property	37,534,354	38,993,481	39,095,438	101,957
Utilities and Environment	-	-	1,562	1,562
Transportation	4,315,591	4,320,950	4,134,219	(186,731)
Economic Environment	5,093,064	5,971,646	5,895,460	(76,186)
Mental and Physical Health	1,082,706	1,285,320	808,270	(477,050)
Culture and Recreation	8,152,262	9,343,127	8,586,886	(756,241)
Debt Service:				
Interest	1,510	1,510	1,728	218
Capital Outlays	24,500	2,070,026	290,805	(1,779,221)
Total Expenditures	83,157,619	94,690,331	83,881,682	(10,808,649)
Excess (Deficiency) of Revenues over Expenditures	(2,575,441)	(12,214,081)	(1,450,151)	10,763,930
OTHER FINANCING SOURCES (USES)				
Transfers - In	6,996,566	7,217,777	4,198,551	(3,019,226)
Transfers - Out	(4,487,949)	(5,471,414)	(2,030,557)	3,440,857
Sale of Capital Assets	-	-	3,468	3,468
Total Other Financing Sources (Uses)	2,508,617	1,746,363	2,171,462	425,099
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(66,824)	(10,467,718)	721,311	11,189,029
FUND BALANCE JANUARY 1	21,056,826	21,056,826	21,056,826	-
Adjustments for GASB 33	-	-	8,462,420	-
FUND BALANCE DECEMBER 31	\$20,990,002	\$10,589,108	\$30,240,557	\$11,189,029

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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

### Multiple Employer Plan

The Required Supplementary Information related to the Multiple Employer Plans provides detailed disclosures related to GASB Statement 68. During the reporting year of 2018, the City of Olympia's Statement of Net Position reported the required Pension information as a result of GASB Statement 68. The following charts reflect these statements.

As of June 30, 2018, the Plan's fiscal year end, the City of Olympia reported the following Proportionate Share of the Net Pension Liability/(Asset):

Year	City of Olympia's proportion of the net pension liability/(asset)	City of Olympia's proportionate share of the net pension liability/(asset)	City of Olympia's covered employee payroll	City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<b>Schedule of Proportionate Share of the Net Pension Liability - PERS Plan 1-For Year Ended June 30, 2018*</b>					
2015	0.231015%	\$12,084,233	\$25,897,212	46.66%	59.10%
2016	0.244414%	\$13,126,183	\$28,612,035	45.88%	57.03%
2017	0.224259%	\$10,641,264	\$27,756,042	38.34%	61.24%
2018	0.237422%	\$10,603,347	\$31,045,213	34.15%	63.22%
<b>Schedule of Proportionate Share of the Net Pension Liability - PERS Plan 2/3-For Year Ended June 30, 2018*</b>					
2015	0.276999%	\$9,897,332	\$24,578,585	40.27%	89.20%
2016	0.290972%	\$14,650,210	\$27,169,982	53.92%	85.82%
2017	0.268542%	\$9,330,551	\$26,328,684	35.44%	90.97%
2018	0.283640%	\$4,842,901	\$29,430,388	16.46%	95.77%
<b>Schedule of Proportionate Share of the Net Pension Liability - PSERS Plan 2-For Year Ended June 30, 2018*</b>					
2015	0.290827%	\$53,082	\$851,537	6.23%	95.08%
2016	0.294818%	\$125,292	\$955,706	13.11%	90.41%
2017	0.289407%	\$56,704	\$1,024,695	5.53%	96.26%
2018	0.312643%	\$3,874	\$1,226,499	0.32%	99.79%
<b>Schedule of Proportionate Share of the Net Pension Liability - LEOFF Plan 1-For Year Ended June 30, 2018*</b>					
2015	0.135558%	\$(1,633,773)	\$264,409	-617.90%	127.36%
2016	0.133879%	\$(1,379,337)	\$284,582	-484.69%	123.74%
2017	0.136175%	\$(2,066,074)	\$222,002	-930.66%	135.96%
2018	0.141268%	\$(2,564,723)	\$127,562	-2010.57%	144.42%

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

Year	City of Olympia's proportion of the net pension liability/(asset)	City of Olympia's proportionate share of the net pension liability/(asset)	State's proportionate share of the net pension liability/(asset) associated with the City of Olympia	TOTAL	City of Olympia's covered employee payroll	City of Olympia's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<b>Schedule of Proportionate Share of the Net Pension Liability - LEOFF Plan 2-For Year Ended June 30, 2018*</b>							
2015	0.563046%	\$(5,786,987)	\$(3,826,358)	\$(9,613,345)	\$16,341,808	-58.83%	111.67%
2016	0.586922%	\$(3,413,714)	\$(2,225,493)	\$(5,639,207)	\$17,780,306	-31.72%	106.04%
2017	0.559215%	\$(7,760,092)	\$(5,033,829)	\$(12,793,921)	\$17,493,258	-73.14%	113.36%
2018	0.58660%	\$(11,909,198)	\$(7,710,975)	\$(19,620,173)	\$19,239,605	-101.98%	118.5%

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



As of December 31, 2018, the City's fiscal year end, the City of Olympia reported the following Contributions to the plans:

Year	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
<b>Schedule of Employer Contributions - PERS Plan 1-For Year Ended June 30, 2018*</b>					
2015	\$1,200,043	\$1,200,043	\$-	\$26,725,993	4.49%
2016	\$1,371,444	\$1,371,444	\$-	\$28,150,217	4.87%
2017	\$1,504,869	\$1,504,869	\$-	\$30,122,945	5.00%
2018	\$1,641,967	\$1,641,967	\$-	\$31,788,405	5.14%
<b>Schedule of Employer Contributions - PERS Plan 2/3-For Year Ended June 30, 2018*</b>					
2015	\$1,474,478	\$1,474,478	\$-	\$25,358,818	5.81%
2016	\$1,712,423	\$1,712,423	\$-	\$26,715,765	6.41%
2017	\$1,956,714	\$1,956,714	\$-	\$28,509,195	6.86%
2018	\$2,276,623	\$2,276,623	\$-	\$30,287,282	7.50%
<b>Schedule of Employer Contributions - PSERS Plan 2-For Year Ended June 30, 2018*</b>					
2015	\$59,665	\$59,665	\$-	\$896,384	6.66%
2016	\$66,737	\$66,737	\$-	\$985,806	6.77%
2017	\$79,943	\$79,943	\$-	\$1,198,785	6.67%
2018	\$82,721	\$82,721	\$-	\$1,148,354	6.83%
<b>Schedule of Employer Contributions - LEOFF Plan 2-For Year Ended June 30, 2018*</b>					
2015	\$868,339	\$868,339	\$-	\$16,603,052	5.23%
2016	\$921,634	\$921,634	\$-	\$17,622,064	5.23%
2017	\$980,803	\$980,803	\$-	\$18,934,014	5.18%
2018	\$1,047,265	\$1,047,265	\$-	\$19,736,136	5.31%
*This Schedule is to be built prospectively until it contains ten years of data.					
Schedule does not include LEOFF 1 because there are no employer contributions to this plan. (see note 7 for more information)					

## Firemens' Pension Plan

The Required Supplementary Information related to the Firemens' Pension Fund Plan provides detailed disclosures related to GASB Statements 67 and 68. During the reporting year of 2018, the City of Olympia's Statement of Net Position reported the required Net Pension Liability as a result of GASB 67 and 68. The following charts reflect these statements.

As of January 1, 2018, the most recent actuarial evaluation date, the changes in net pension liability and related ratios was as follows:

Firemens' Pension Fund Plan - Schedule of Changes in Net Pension Liability and Related Ratios (Dollar amounts in thousands)					
Fiscal Year Ending December 31,					
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Interest on Total Pension Liability	\$ 230	\$201	\$ 198	\$ 187	\$ 191
Effect of Economic/Demographic Gains/(Losses)	-	1,196	-	(171)	-
Effect of Assumption Changes/Inputs	(307)	167	(147)	602	135
Benefit Payments	(364)	(355)	(326)	(294)	(277)
<b>Net Change in Total Pension Liability</b>	<b>(441)</b>	<b>1,209</b>	<b>(275)</b>	<b>324</b>	<b>49</b>
<b>Total Pension Liability, Beginning</b>	<b>6,758</b>	<b>5,549</b>	<b>5,824</b>	<b>5,500</b>	<b>5,451</b>
<b>Total Pension Liability, Ending (a)</b>	<b>\$ 6,317</b>	<b>\$6,758</b>	<b>\$ 5,549</b>	<b>\$5,824</b>	<b>\$5,500</b>
<b>Fiduciary Net Position</b>					
Employer Contributions	\$266	\$205	\$ 100	\$ 154	\$ 1,077
Contributions from State Fire Insurance Premium Tax	101	94	92	91	91
Net Investment Income	83	75	44	3	15
Prior Period Adjustment	(36)	-	-	-	-
Benefit Payments	(364)	(355)	(326)	(294)	(277)
Medical Payment from Fund	-	-	-	-	(460)
Administrative Expenses	(12)	(2)	(12)	(1)	(24)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>38</b>	<b>17</b>	<b>(103)</b>	<b>(47)</b>	<b>422</b>
<b>Fiduciary Net Position, Beginning</b>	<b>4,697</b>	<b>4,680</b>	<b>4,783</b>	<b>4,830</b>	<b>4,408</b>
<b>Fiduciary Net Position, Ending (b)</b>	<b>\$4,735</b>	<b>\$4,697</b>	<b>\$ 4,680</b>	<b>\$ 4,783</b>	<b>\$ 4,830</b>
Net Pension Liability, ending = (a) - (b)	\$1,582	\$2,061	\$ 869	\$ 1,041	\$ 670
Fiduciary Net Position as a Percentage of Total Pension Liability	74.96%	69.50%	84.34%	82.13%	87.82%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

### Notes to Schedule:

In 2018 the "Prior Period Adjustment" is a result of an overstatement in investment income in 2017.

Changes in Assumptions: In 2017, amounts reported as "Effect of Economic/Demographic Gains" resulted primarily from changes in benefit amounts compared to expectations.

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

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

As of January 1, 2019, the most recent actuarial evaluation date, the employer contributions to the actuarially determined contributions was as follows:

Firemens' Pension Plan - Schedule of Contributions Last 10 Fiscal Years					
Fiscal Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2008	\$246,881	\$496,028	\$(249,147)	\$ -	N/A
2009	246,881	507,153	(260,272)	-	N/A
2010	203,183	535,665	(332,482)	-	N/A
2011	203,183	304,163	(100,980)	-	N/A
2012	119,273	591,221	(471,948)	-	N/A
2013	119,273	666,742	(547,469)	-	N/A
2014	475,000	707,924	(232,924)	-	N/A
2015	119,000	244,818	(125,818)	-	N/A
2016	252,000	191,883	60,117	-	N/A
2017	267,000	298,694	(31,694)	-	N/A
2018	239,000	367,384	(128,384)	-	N/A

**Notes to Schedule:**

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

Actuarial Valuation Information:	
Valuation Date:	January 1, 2018
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	30-year, closed as of January 1, 1999
Remaining Amortization Period:	11 Years
Asset Valuation Method:	Fair value

Actuarial Assumptions	
Investment Rate of Return:	4.00%
Projected Salary Increases:	3.25%
Inflation:	2.25%
Age of Retirement:	65
Cost-of-living Adjustments:	Based upon salary increase assumption when appropriate.
Long-Term Expected Rate of Return	4.00%
Discount Rate	4.00%
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (forward 2 years for disabled members).

Firemens' Pension Fund Plan - Schedule of Investment Returns - Last 4 Fiscal Years				
	2015	2016	2017	2018
Annual Money-Weighted Rate of Return, net of investment expense	0.05%	0.93%	1.60%	1.76%

Changes in Total OPEB Liability	
Fiscal Year Ending December 31,	
	2018
<b>Total OPEB Liability*</b>	
Interest on Total OPEB Liability	\$ 943,678
Effect of Assumption Changes/Inputs	(1,853,008)
Benefit Payments	(786,430)
<b>Net Change in Total OPEB Liability</b>	<b>(1,695,760)</b>
<b>Total OPEB Liability, Beginning</b>	<b>\$ 27,352,057</b>
<b>Total OPEB Liability, Ending</b>	<b>\$ 25,656,297</b>
Covered Payroll	\$ -
Total OPEB Liability as a Percentage of Covered Payroll	100%

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

**City of Olympia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
<b>Child Nutrition Cluster</b>							
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of Superintendent of Public Instruction)	Summer Food Service Program for Children	10.559	187WAWA3N109 9	19,443	-	19,443	1,2,5
			<b>Total Child Nutrition Cluster:</b>	<b>19,443</b>	<b>-</b>	<b>19,443</b>	
<b>CDBG - Entitlement Grants Cluster</b>							
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	2014 Grant B15MC530012	-	116,229	115,809	1,2,3,5
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	2015 Grant B15MC530012	-	20,471	20,891	1,2,3,5
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	2016 Grant B16MC530012	-	76,197	75,378	1,2,3,5
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	2017 Grant B17MC530012	-	237,405	139,541	1,2,3,5
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	2017 PI B17MC530012	-	105,189	-	1,2,3,5
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	2018 PI B18MC530012	-	129,358	94,538	1,2,3,5
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	2018 Grant B18MC530012	-	44,826	42,601	1,2,3,5
			<b>Total CDBG - Entitlement Grants Cluster:</b>	<b>-</b>	<b>729,676</b>	<b>488,758</b>	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	2017BUBS17086 876	-	1,400	1,400	1,2,5
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16.607	2016BUBX16083 077	-	3,970	3,970	1,2,5

The accompanying notes are an integral part of this schedule.

**City of Olympia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
				Total CFDA 16.607:				
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Center for Court Innovation)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DC-NY- K002	87,366	-	87,366	-	1,2,5
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	CM-0920 (012)	4,502	-	4,502	-	1,2,5
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-5282 (005)/LA 8667	259,233	-	259,233	-	1,2,5
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	SRTS-0920(010)	174,050	-	174,050	-	1,2,5
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUS- 5253(003)	263,933	-	263,933	-	1,2,5
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	TAP-9934(020)	41,687	-	41,687	-	1,2,5
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Department of Transportation)	Highway Planning and Construction	20.205	STPUS- 9934(021)	279,898	-	279,898	-	1,2,5
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA State Traffic Safety Commission)	State and Community Highway Safety	20.6	Target Zero	7,589	-	7,589	-	1,2,5
Drinking Water State Revolving Fund Cluster								
			Total Highway Safety Cluster:	7,589	-	7,589	-	
			Total Highway Planning and Construction Cluster:	1,023,302	-	1,023,302	-	

The accompanying notes are an integral part of this schedule.

**City of Olympia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures				Note
					From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-188 Proj 1240	-	1,340,302	-	1,340,302	-	1,2,5,6
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM16-952-042 Proj 1207	-	1,151,996	-	1,151,996	-	1,2,5,6
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department of Commerce)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-188 Proj 1240	-	740,054	-	740,054	-	1,2,5,6
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Department of Health)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM16-952-042 Proj 1207	-	92,450	-	92,450	-	1,2,5,6
<b>Total Drinking Water State Revolving Fund Cluster:</b>					<b>3,324,802</b>	<b>-</b>	<b>3,324,802</b>	<b>-</b>	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Department of Homeland Security)	Emergency Management Performance Grants	97.042	16EMPG E17- 060	-	29,301	-	29,301	-	1,2,5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH- 00409	-	-	653,992	653,992	-	1,2,5
<b>Total Federal Awards Expended:</b>					<b>4,491,803</b>	<b>1,389,037</b>	<b>5,880,841</b>	<b>488,758</b>	

The accompanying notes are an integral part of this schedule.

CITY OF OLYMPIA, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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

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

Prior to 2014, the City utilized a revolving loan style program for low income housing renovation, of which CDBG Program Income was utilized for funding of the new loans. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. Beginning the second quarter of 2014, the City no longer offered these loans resulting in a change of program income and use reporting. In 2018, the City expended \$234,547.37 in program income, and \$495,130.01 in CDBG Entitlement Grants. The City is on the additive method of reporting with HUD therefore the program income is reported as additions to the authorized grant amounts. During 2018, the City expended a total of CDBG Entitlement Funds in the amount of \$729,677.38, which is reported on this schedule.

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – FEDERAL LOANS

The City of Olympia was approved by the Federal Environmental Protection Agency (EPA), Washington State Department of Commerce (DOC), and the Washington State Public Works Board (PWB) to receive a loan totaling \$11,983,650 for the construction of a water reservoir for the drinking water system. The loan was transferred to The Department of Health in July 2018. The amount, \$2,080,357, listed in this schedule is for the federal portion of expenditures for the reporting year.

The City of Olympia was approved by the Federal EPA, Washington State DOC, and the Washington State PWB to receive a loan totaling \$4,058,632 for the construction of a corrosion control facility for the drinking water system. This loan was transferred to Department of Health in July 2018. The amount, \$1,244,995 listed in this schedule is for the federal portion of expenditures for the reporting year.





## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

**City of Olympia**  
**January 1, 2018 through December 31, 2018**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2018-001	<b>Finding caption:</b> The City's internal controls over accounting and financial statement preparation were inadequate to ensure accurate financial reporting.
<b>Name, address, and telephone of City contact person:</b> Nanci Lien, Fiscal Services Director City of Olympia P.O. Box 1967 Olympia, WA 98507	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>Finding 2019-001: Inadequate controls over accounting and financial statement preparation.</i> <i>In 2019, the City of Olympia is implementing and communicating changes to Fiscal Services processes to ensure adequate controls over accounting functions and financial statement preparation.</i>	

## 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>