



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Bonney Lake

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

Published January 6, 2020

Report No. 1025369





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

January 6, 2020

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

Report on Financial Statements

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

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

Sincerely,

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

Pat McCarthy
State Auditor
Olympia, WA

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Bonney Lake January 1, 2018 through December 31, 2018

This schedule presents the status of findings reported in prior audit periods.

Audit Period: 1/1/2017-12/31/2017	Report Ref. No.: 1023094	Finding Ref. No.: 2017-001
Finding Caption: The City's internal controls over financial statements preparation were inadequate to ensure accurate financial reporting.		
Background: The City Council, state and federal agencies and the public rely on the information included in the financial statements and reports to make decisions. City management is responsible for designing, implementing and maintaining internal controls to ensure financial statements are fairly presented and to provide reasonable assurance regarding the reliability of financial reporting. The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP) as prescribed by the <i>Budgeting, Accounting and Reporting System</i> (BARS) manual. Our audit identified deficiencies in the City's internal controls over financial reporting that hindered the City's ability to produce reliable financial statements. <i>Government Auditing Standards</i> requires the auditor to communicate material weakness in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding. Governmental Accounting Standards Board (GASB) Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> prescribes reporting of fund balance as restricted, committed, assigned or unassigned based on the relative strength of the constraints that control how specific amounts can be spent.		
Status of Corrective Action: (check one) <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Staff has reviewed prior and current GASB statements to ensure they are up-to-date on the requirements. Staff will continue to review and attend training on future Statements. Further, an outside CPA consultant has reviewed the current financials for accuracy.</i>		

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

**City of Bonney Lake
January 1, 2018 through December 31, 2018**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bonney Lake, as of and for the year ended December 31, 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 December 19, 2019. As discussed in Note 10 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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

Pat McCarthy

State Auditor

Olympia, WA

December 19, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Bonney Lake January 1, 2018 through December 31, 2018

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bonney Lake, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bonney Lake, as of December 31, 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 10 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.

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 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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.



Pat McCarthy

State Auditor

Olympia, WA

December 19, 2019

FINANCIAL SECTION

City of Bonney Lake 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

Governmental Funds Balance Sheet – 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

Notes to Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual –
General Fund – 2018

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 – 2018

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

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

City of Bonney Lake
Management's Discussion and Analysis (MD&A)
For the Year Ending December 31, 2018

As management of the City of Bonney Lake (the City), we offer this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

- As of December 31, 2018 total assets and deferred outflows of the City exceeded its liabilities and deferred inflows by \$167 million. Of this amount, \$29.4 million was reported as unrestricted net position, amounts which are available for use to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by approximately \$13.8 million.
- Capital assets increased approximately \$5.1 million, largely due to new infrastructure, additional rolling stock and developers capital contributions.
- The City's governmental funds reported combined ending fund balances of \$45.1 million.
- The General Fund reported an unassigned fund balance of \$11.9 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements for fiscal year 2018, which have been prepared pursuant to Generally Accepted Accounting Principles (GAAP). Throughout this document, we have included several spreadsheets that compare financial data for fiscal year 2017 to fiscal year 2018 in order to provide perspective for financial statement readers. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report also contains other required supplementary information (RSI) in addition to the basic financial statements.

Government-wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

future period and thus is shown on the Balance Sheet/Statement of Net Position until the period that it becomes revenue.

The government also has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category on the Balance Sheet. The governmental funds report unavailable revenues from three sources: accounts receivable, property taxes, and any special assessments. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

Fund Financial Statements

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

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

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund

statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Construction Fund, the Public Works Center Construction Fund, Park Construction Fund and the General Government Fund which are all presented as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The City adopts a biennial appropriated budget for all of its major funds.

Proprietary funds

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

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

Notes to the financial statements

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

Other information

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

The City as a Whole

The table below summarizes the City's Statement of Net Position for the year ending 2018.

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
ASSETS						
Current and other assets	47,936,028	53,288,507	20,739,516	21,704,864	68,675,544	74,993,371
Capital Assets	54,784,232	58,580,277	84,636,696	85,974,825	139,420,928	144,555,102
TOTAL ASSETS	102,720,260	111,868,784	105,376,212	107,679,689	208,096,472	219,548,473
Deferred outflows of Resources	645,497	869,129	117,376	151,956	762,873	1,021,085
LIABILITIES						
Long-term liabilities	10,590,783	15,043,011	32,076,113	29,275,131	42,666,896	44,318,142
Other Liabilities	7,246,537	2,799,722	4,301,224	4,130,824	11,547,761	6,930,546
TOTAL LIABILITIES	17,837,320	17,842,733	36,377,337	33,405,955	54,214,657	51,248,688
Deferred inflows of resources	1,484,576	1,830,186	213,550	391,333	1,698,126	2,221,519
NET POSITION						
Net invested in capital assets	45,041,821	47,913,277	49,878,459	54,591,086	94,920,280	102,504,363
Restricted for debt	1,919,287	59,825	3,820,533	2,132,590	5,739,820	2,192,415
Restricted for Pension Asset	-	2,066,268				2,066,268
Restricted for Capital Outlay	-	30,954,279				30,954,279
Unrestricted	37,082,753	12,071,345	15,203,709	17,310,681	52,286,462	29,382,026
TOTAL NET POSITION	84,043,861	93,064,994	68,902,701	74,034,357	152,946,562	167,099,351

The most significant portion of 2018 net position reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and intangible assets such as water rights and sewer capacity); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The

remaining balance of *unrestricted net position* (\$29.4 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2018 the City reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The table below summarizes the City's Statement of Activities for fiscal 2018:

CONDENSED STATEMENT OF ACTIVITIES						
	Governmental Activities		Business-type Activities		Total	
REVENUES:	2017	2018	2017	2018	2017	2018
Charges for goods and services	4,209,365	5,089,311	18,554,756	19,510,654	22,764,121	24,599,965
Operating Grants & contributions	3,131,479	1,351,406	(187,174)	-	972,647	1,351,406
Capital grants & contributions	353,182	1,459,282	-	3,282,067	353,182	4,741,349
Property Taxes	3,007,585	3,131,892			3,007,585	3,131,892
Sales Taxes	5,178,292	6,242,214			5,178,292	6,242,214
Excise Taxes	5,150,637	5,321,590			5,150,637	5,321,590
Utility & other Taxes	153,101	215,986			153,101	215,986
Interest	317,734	903,636	161,077	304,067	478,811	1,207,703
Other	3,326,136	127,431	(1,452,494)	218,648	3,917,682	346,079
Total revenues	24,827,511	23,842,748	17,076,165	23,315,436	41,976,058	47,158,184
EXPENSES:						
General government	5,483,727	4,319,433			5,556,109	4,319,433
Public safety	6,770,335	6,907,928			6,770,335	6,907,928
Utilities and environment	-	-			-	-
Transportation	2,044,641	2,018,799			2,044,641	2,018,799
Economic environment	998,018	1,080,335			998,018	1,080,335
Culture and recreation	1,456,827	1,876,404			1,456,827	1,876,404
Health and human services	394,097	396,860			394,097	396,860
Interest on debt	406,019	359,426			406,019	359,426
Water			8,002,078	8,017,972	8,002,078	8,017,972
Sewer			7,813,341	6,826,987	7,813,341	6,826,987
Storm			1,935,645	1,568,355	1,935,645	1,568,355
Total Expenses	17,553,664	16,959,185	17,751,064	16,413,314	35,377,110	33,372,499
Excess before special items & transfers	7,273,847	6,883,563	(674,899)	6,902,122	6,598,948	13,785,685
Transfers	1,427,618	1,500,000	(1,427,618)	(1,500,000)	-	-
Special Item- Debt Service	(1,562,560)	-			(1,562,560)	-
Special Item-Net gain on Capital Asset	35,407	-			35,407	-
Change in Net Position	7,174,312	8,383,563	(2,102,517)	5,402,122	5,071,795	13,785,685
Net Position as of January 1,	76,869,549	84,043,861	71,005,218	68,902,701	147,874,767	152,946,562
Prior Period Adjustment	-	637,570	-	(270,466)	-	367,104
Net Position as of December 31,	84,043,861	93,064,994	68,902,701	74,034,357	152,946,562	167,099,351

As illustrated in the total business type activities revenue, our receipts have seen small growth, however, we have received significant grants and capital contributions. We have continued cuts in spending this year to create the majority of the increase in Net Position overall. The revenue line item titled “charges for service” includes plan check and review fees as well as inspection fees, which are all associated with building and construction activities within our community. These are usually construed as an economic indicator of construction activity in our community. The total Change in Net Position is significant and notes an increase of \$13.9 Million dollars.

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

Significant Transactions and Changes in Individual Funds

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

Governmental Activities

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

This year we have experienced a \$3.7 million dollar increase in Fund Balance. The majority of this is due to increases in sales & property taxes and conservative spending. The City has had a growth of commercial businesses open in 2018. Governmental Activities account for 56% of the City’s Net Position.

Key Elements of the 2018 changes are as follows:

- Total assets from Governmental Activities increased by \$9.1 M
- Cash & Cash Equivalents increased by approximately \$4.8 M from 2017 to 2018 while receivables decreased by \$358,838.
- Total liabilities from Governmental Activities decreased slightly by \$5,413.
- Total Revenues, city wide, increased by \$5.2 M. This change is primarily related to a stronger sales tax base & increased utility rates in our enterprise funds.
- Total expenses decreased by \$1.9 million as we continued a conservative approach to spending city wide.
- The General Fund is the main operating fund of the city and at the end of the fiscal 2018, unassigned fund balance of the General Fund was \$11.8 million. For the past several years the top categories of revenue collected within the general fund have been Sales Tax, Property Tax & other Excise Taxes Charges for services include Building Permits, Utility

Tax, and Fines and Forfeitures. This year, Grants & Contributions were not a significant source of revenue.

General Fund Budgetary Highlights

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

The City adopted an original 2017 – 2018 biennial budget to consist of \$142million including fund balances. The original adopted budget estimated 2017 revenues to be \$49.5 million and \$39.7 million in 2018. Expenditures were estimated at \$58 million for 2017 and \$63 million for 2018. Pursuant to RCW, the city reviews revenues and expenditures at the conclusion of the first year of the biennium and adjusts the biennial budget as necessary. This mid-biennial review is mainly to take a realistic budgetary look at projects underway and/or projects that may have experienced delays, for whatever reason. Funds are authorized for the entire biennium. Ordinance 1562, adopting the original biennial budget, contains a spreadsheet appendix that illustrates, by fund, appropriated total expenditures, revenues and any other financing uses and/or sources. The City amended the budget with Ordinance 1586 for a total of \$151 million including fund balances.

Looking forward, the City adopted an original 2019–2020 biennial budget consisting of \$159 million including fund balances. The adopted budget estimated 2019-2020 revenues to be \$48.5 million in 2019 and \$50.7 million in 2020. Expenditures (including capital projects) are estimated at \$73.9 million for 2019 and \$58.4 million for 2020.

Internal Service Fund Type Activities (ER&R Fund)

The total net position increased slightly by \$129,134. For the Equipment Rental & Replacement Fund.

Key Elements of the 2018 changes are as follows:

- Investment in capital assets net of depreciation increased by \$294,941. In 2018, this can be attributed to additional acquisition of capital assets, which is the main function of this fund.
- Total liabilities from internal service fund activities increased by roughly \$247,154, also due to capital asset acquisitions & timing on payment.
- Operating Revenues decreased minimally by \$16,477. This was due to a reduction in replacement rates for current capital equipment due to disposals of out dated assets.

Business Type Activities

The total net position increased by \$5.4M. Business –type activities accounts for 44% of the city’s net position.

Key Elements of the 2018 changes are as follows:

- Investment in capital assets increased by \$1,338,129. In 2018, this can be attributed to additional infrastructure added, mainly in the water & sewer funds.
- Total liabilities from Business Type Activities decreased by \$2,971,382. This decrease was mostly due to lower Public works Trust Fund and Bond debt.
- Revenues increased by \$4.8 million; due to increases in water rates and increases in capital

contributions. Cash & cash equivalents decreased by \$1,068,883; while we saw only a slight increase in receivables of \$155,596.

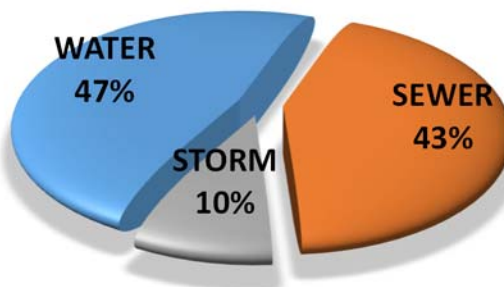
The charts below show the changes in Expenses & Revenues from 2017 to 2018 in the three major Business Type funds:

Business Type Fund Revenue 2017



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

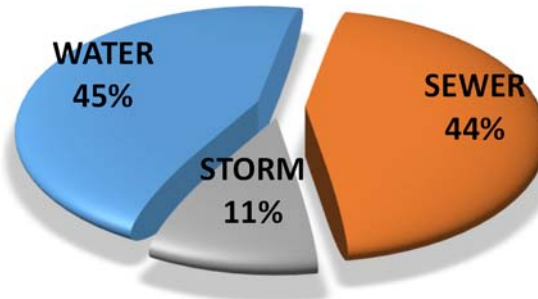
Business Type Fund Revenue 2018



WATER	\$ 9,215,650
SEWER	\$ 8,441,088
STORM	\$ 1,853,916

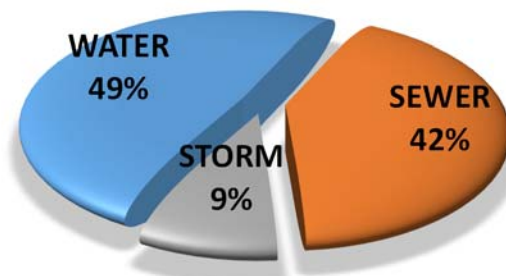
WATER	\$ 7,548,440
SEWER	\$ 7,484,487
STORM	\$ 1,850,497

Business Type Fund Operating Expenses 2017



WATER	\$ 7,692,850
SEWER	\$ 6,583,260
STORM	\$ 1,507,613

Business Type Fund Operating Expenses 2018



Capital Assets

The following table summarizes the City's capital asset balances at December 31, 2018:

	Governmental activities:		Business-type activities:		Total:	
	2017	2018	2017	2018	2017	2018
Land	\$ 12,915,202	12,915,202	2,892,310	3,136,245	15,807,512	16,051,447
Construction in progress	10,766,480	3,271,813	2,589,626	533,331	13,356,106	3,805,144
Total capital assets, not depreciated	23,681,682	16,187,015	5,481,936	3,669,576	29,163,618	19,856,591
Capital assets, being depreciated:						
Buildings	5,921,586	5,657,569	9,668,878	9,184,981	15,590,464	14,842,550
Improvements other than buildings	15,521,640	25,452,574	46,999,828	51,746,896	62,521,468	77,199,470
Machinery and equipment	675,947	815,538	1,139,532	1,662,638	1,815,479	2,478,176
Rolling Stock	2,066,056	2,360,997	0	0	2,066,056	2,360,997
Leasehold Improvements	0	0	12,381,525	11,895,975	12,381,525	11,895,975
Intangible Assets	0	0	8,964,997	7,814,399	8,964,997	7,814,399
Infrastructure	7,222,572	8,106,584	0	0	7,222,572	8,106,584
Total capital assets being depreciated	31,407,801	42,393,262	79,154,760	82,304,889	110,562,561	124,698,151
TOTAL	\$55,089,483	\$58,580,277	\$84,636,696	\$85,974,465	\$139,726,179	\$144,554,742

Changes occurred in several asset categories as a result of normal operating activity; and, appropriately valuing and recording infrastructure assets. This included the purchase of two large trucks/sweepers totaling over \$500,000 in the Equipment Rental fund as well as over \$2.1 Million in developer contributions in both General & Business Type funds. The City has many construction projects underway and, accordingly, the above table reflects this activity.

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

A change to the beginning balance in governmental depreciation was made to account for 2017 disposals. A prior period adjustment has been made on our financial statements to account for this.

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

Debt Administration

The City's debt liabilities in the governmental have remained constant. Business-type activities decreased by just under \$3 Million during the fiscal year due to debt being paid down.

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

Economic Factors and Other Information

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

Regional

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

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

Local

The economy continues to dominate local official's current outlook as changing conditions influence the city's overall fiscal picture. As an example: when consumer confidence is moderate to high, people tend to expend more on goods and services; and, as a result city governments reap the benefit through increased sales tax collections. The economy has begun an upturn and the real estate market is seeing increased values, and more sales of existing & new homes. Consumer confidence has grown resulting in more consumer spending ultimately leading to increasing sales tax revenues. We have also seen the major employer, Costco, open its doors in May of 2018 in our city limits, which broadens our sales tax base. We have also seen permitting for additional restaurants & businesses near the Costco location looking to open in 2019.

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

In 2017, the City hired an outside consulting firm to analyze the current water, sewer and storm revenues, as well as the need for new infrastructure within the city. As a result, we raised our water rates by 8.5% and Sewer rates by 15% in December in order to keep up with our growing infrastructure needs. In January of 2018 we also we raised our water rates by 3% and Sewer rates by 3%. This increase was in addition to increases that also occurred in January & July of 2017. The Council has approved a series of future rate increases.

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

As part of our overall review of fiscal policies, management and executive teams have committed to nurture economic growth in order to sustain the current health of the community as well as strategically positioning ourselves into the future. In order to accomplish this initiative city leaders have developed a strategic plan that looks back upon the past decade where fund balances have grown due to robust economic conditions. These decades of historically high fund balances have provided a “cushion” in anticipation of unpredictable events such as natural disasters and economic downturns. In much the same fashion as a personal savings account, fund balances have been built up deliberately to set aside funds for planned events such as future capital projects.

Requests for Information

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

City of Bonney Lake
Statement of Net Position
December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 47,427,262	\$ 17,487,873	\$ 64,915,135
Investments	-	-	-
Receivables	1,163,000	2,028,837	3,191,837
Due from other governments	1,524,727	-	1,524,727
Inventories	-	55,564	55,564
Internal Balances	-	-	-
Prepaid items	-	-	-
Restricted assets:			
Cash and cash equivalents	1,103,913	2,122,205	3,226,118
Deposits	3,337	10,385	13,722
Net Pension Asset	2,066,268	-	2,066,268
Capital Assets:			
Non-depreciable	16,187,015	3,669,937	19,856,952
Depreciable (net)	42,393,262	82,304,888	124,698,150
Total assets	<u>111,868,784</u>	<u>107,679,689</u>	<u>219,548,473</u>
Deferred Outflow of resources related to Pensions	857,512	151,956	1,009,468
Deferred Outflow of resources related to OPEB	11,617	-	11,617
Total deferred outflow of resources	<u>869,129</u>	<u>151,956</u>	<u>1,021,085</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,344,885	535,867	1,880,752
Contracts payable	9,968	-	9,968
Due to other governments	45,428	382,927	428,355
Deposits	4,725	89,524	94,249
Accrued Interest payable	-	115,655	115,655
Other liabilities	584,950	169,288	754,238
Unearned revenue	164,766	-	164,766
Due within one year	645,000	2,837,563	3,482,563
Non-current liabilities:			
Net Pension Liability	3,399,112	328,499	3,727,611
Net OPEB Liability	395,626	-	395,626
Due in more than one year	11,248,273	28,946,632	40,194,905
Total liabilities	<u>17,842,733</u>	<u>33,405,955</u>	<u>51,248,688</u>
Deferred Inflows related to Pensions	1,830,186	391,333	2,221,519
Total deferred Inflows of resources	<u>1,830,186</u>	<u>391,333</u>	<u>2,221,519</u>
NET POSITION			
Net investment in capital assets	47,913,277	54,591,086	102,504,363
Restricted for Debt service	59,825	2,122,205	2,182,030
Restricted for Pension Asset	2,066,268	-	2,066,268
Restricted for Capital Outlay	30,954,279	-	30,954,279
Unrestricted	12,071,345	17,321,066	29,392,411
Total Net Position	<u>\$ 93,064,994</u>	<u>74,034,357</u>	<u>\$ 167,099,351</u>

The notes are an integral part of the financial statements.

**City of Bonney Lake
Statement of Activities
For the Year Ended December 31, 2018**

Functions/Programs	Program Revenues					Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 4,319,433	\$ 1,325,946	\$ 69,155	\$ -	(2,924,332)	\$ -	\$ (2,924,332)	
Public safety	6,907,928	806,433	804,236	-	(5,297,259)	-	(5,297,259)	
Transportation	2,018,799	558,218	478,015	1,459,282	476,716	-	476,716	
Health and human services	396,860	-	-	-	(396,860)	-	(396,860)	
Economic environment	1,080,335	711,412	-	-	(368,923)	-	(368,923)	
Culture and recreation	1,876,404	1,687,301	-	-	(189,103)	-	(189,103)	
Interest on long term debt	359,426	-	-	-	(359,426)	-	(359,426)	
Total governmental activities	16,959,185	5,089,310	1,351,406	1,459,282	(9,059,187)	-	(9,059,187)	
Business-type Activities:								
Water	8,017,972	9,215,650	-	1,350,724	-	2,548,402	2,548,402	
Sewer	6,826,987	8,441,088	-	1,091,203	-	2,705,304	2,705,304	
Stormwater	1,568,355	1,853,916	-	840,140	-	1,125,701	1,125,701	
Total business-type activities	16,413,314	19,510,654	-	3,282,067	-	6,379,407	6,379,407	
Total government	\$ 33,372,499	\$ 24,599,964	\$ 1,351,406	\$ 4,741,349	\$ (9,059,187)	\$ 6,379,407	\$ (2,679,780)	
General Revenues:								
Taxes:								
Property taxes					3,131,892	-	3,131,892	
Sales taxes					6,242,214	-	6,242,214	
Excise taxes					5,321,590	-	5,321,590	
Utility and Other taxes					215,986	-	215,986	
Investment earnings					903,636	304,067	1,207,703	
Miscellaneous revenues					127,432	218,648	346,080	
Transfer Out/In (Net)					1,500,000	(1,500,000)	-	
Total Revenues					17,442,750	(977,285)	16,465,465	
Change in net position					8,383,563	5,402,122	13,785,685	
Net position-beginning					84,043,861	68,902,701	152,946,562	
Prior period adjustment - from fund statements					216,871	(270,466)	(53,595)	
Prior period adjustment - OPEB					(411,785)	-	(411,785)	
Prior period adjustment - Deferred Inflows					527,233	-	527,233	
Prior period adjustment - Accumulated Depreciation					305,251	-	305,251	
Net position-ending					93,064,994	74,034,357	167,099,351	

The notes are an integral part of the financial statements.

City of Bonney Lake
Balance Sheet
Governmental Funds
December 31, 2018

	001	301	302	303	320	120 & 202	
	GENERAL FUND	STREET CONSTRUCTION FUND	PARK CONSTRUCTION FUND	PUBLIC WORKS CENTER CONSTRUCTION	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS and DEFERRED OUTFLOWS							
Cash and cash equivalents	11,229,878	4,067,629	3,971,592	23,671,769	581,927	155,234	43,678,029
Receivables	1,154,922	7,328	0	0	750		1,163,000
Due from other governments	1,406,148	60,495	40,659	0	17,425		1,524,727
Prepaid Items	0	0	0	0	0		0
Restricted assets:							
Cash	9,636	539,948	554,329				1,103,913
Deposits	0	3,337	0	0	0		3,337
Total assets	<u>13,800,584</u>	<u>4,678,737</u>	<u>4,566,580</u>	<u>23,671,769</u>	<u>600,102</u>	<u>155,234</u>	<u>47,473,006</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	612,808	2,156	259,035	180,104	19,140		1,073,243
Contracts payable		3,841	0	0	6,127		9,968
Due to other governments	45,428	0	0	0	0	0	45,428
Restricted Deposits payable	1,275	0	0	0	3,450		4,725
Interfund loan payable		0	0	0	0		0
Unearned revenues	110,055	54,711	0	0	0		164,766
Other liabilities	575,063	0	0	0	0	0	575,063
Total liabilities	<u>1,344,629</u>	<u>60,708</u>	<u>259,035</u>	<u>180,104</u>	<u>28,717</u>	<u>0</u>	<u>1,873,193</u>
Deferred Inflows of Resources							
Unavailable - Court & Prop.Tax Recieva	<u>461,773</u>						<u>461,773</u>
Fund balances:							
Restricted	1,275	3,978,587	4,249,545	22,495,475	230,672	59,825	31,015,379
Committed	0	639,442	58,000	996,190	340,713	95,409	2,129,754
Assigned	113,856	0	0	0	0		113,856
Unassigned	11,879,051	0	0	0	0		11,879,051
Total fund balances	<u>11,994,182</u>	<u>4,618,029</u>	<u>4,307,545</u>	<u>23,491,665</u>	<u>571,385</u>	<u>155,234</u>	<u>45,138,040</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>13,800,584</u>	<u>4,678,737</u>	<u>4,566,580</u>	<u>23,671,769</u>	<u>600,102</u>	<u>155,234</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	58,580,277
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	(11,893,273)
Long-term liabilities, GASB 68 Liability, Asset, Deferred Inflow, Deferred Outflow, net	(2,305,518)
Long-term liabilities, OPEB, net of related Deferred Outflow	(384,009)
Deferred Inflows: Court & Property Tax Receivables	461,773
Internal service funds are used by management to charge the costs of insurance and equipment rental and replacement equipment rental and replacement services to individual funds. Total assets and liabilities of the internal service funds that are reported with governmental activities, net of amounts reported above.	3,467,704
Net position of governmental activities	<u>93,064,994</u>

The notes are an integral part of the financial statements.

City of Bonney Lake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2018

	001	301	302	303	320	120, 202	TOTAL
	GENERAL FUND	STREET CONSTRUCTION FUND	PARK CONSTRUCTION FUND	PUBLIC WORKS CENTER CONSTRUCTION	GENERAL GOVERNMENTAL CONSTRUCTION	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
REVENUES							
Taxes							
Property	3,141,681	0	0	0	0	0	3,141,681
Sales	6,242,214	0	0	0	0	0	6,242,214
B&O	0	0	0	0	0	0	0
Excise	4,004,377	647,175	477,355	0	192,683	0	5,321,590
Other	215,986	0	0	0	0	0	215,986
Licenses and permits	898,865	0	0	0	0	0	898,865
Intergovernmental	1,218,455	103,386		0	0	0	1,321,841
Charges for goods and services	2,644,641	539,948	200,691	0	3,084	0	3,388,364
Fines and forfeitures	430,491	0	0	0	0	107	430,598
Miscellaneous:			0				
Interest	281,050	72,749	105,563	349,791	31,611	8,448	849,212
Other	373,520	3,158		0	165,214	0	541,892
Total revenues	19,451,280	1,366,416	783,609	349,791	392,592	8,555	22,352,243
EXPENDITURES							
Current:							
General government	3,963,019		0	0	58,649	0	4,021,668
Public safety	6,388,876	0	0	0	0	2,000	6,390,876
Utilities and environment		0	0	0	0	0	0
Transportation	1,833,484	175,499	0	0		0	2,008,983
Economic environment	1,039,456	0	0	0	0	0	1,039,456
Culture and recreation	1,678,164	0	0	0		0	1,678,164
Health and human services (Soc Svs)	375,712	0	0	0	0	0	375,712
Capital outlay	81,822	1,128,642	516,298	1,835,756	236,474	0	3,798,992
Debt service:							
Principal		0		0	0	470,000	470,000
Interest	0	0	0	0	0	359,426	359,426
Other debt Service Costs	0	0	0	0	0	0	0
Total expenditures	15,360,533	1,304,141	516,298	1,835,756	295,123	831,426	20,143,277
Excess (deficiency) of revenues over expenditures	4,090,747	62,275	267,311	(1,485,965)	97,469	(822,871)	2,208,966
OTHER FINANCING SOURCES (USES)							
Bonds Issued	0	0				0	0
Transfers In	0	0	0	1,500,000	0	859,150	2,359,150
Transfers Out	(859,150)	0	0	0	0	0	(859,150)
Sale of Land		0	0	0	0	0	0
Other Contributions	29,201	0	0	0	0	0	29,201
Total other financing sources and uses	(829,949)	0	0	1,500,000	0	859,150	1,529,201
Net Change in fund balances	3,260,798	62,275	267,311	14,035	97,469	36,279	3,738,167
Fund balances-beginning	8,583,309	4,488,958	4,040,234	23,477,630	473,916	118,955	41,183,002
Prior Period Adjustment	150,075	66,796		0	0	0	216,871
Fund balances-ending	11,994,182	4,618,029	4,307,545	23,491,665	571,385	155,234	45,138,040

The notes are an integral part of the financial statements.

City of Bonney Lake
Reconciliation of The Statement of Revenue, Expenditures,
And Changes In Fund Balances of Governmental Funds
To the Statement of Activities
For The Year Ended December 31, 2018

Net changes in fund balances - total governmental funds	\$	3,738,167
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	3,798,992	
Depreciation expense	<u>(1,959,035)</u>	1,839,957

The book value of capital assets sold are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement.

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Capital Contributions		1,355,866
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Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes and fines, deferred as of 12/31/18	461,773	
Property taxes and fines, deferred as of 12/31/17	<u>(527,233)</u>	(65,460)

The internal service fund is used by management to charge the costs of maintenance services to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.

129,135

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position.

470,000

Other postemployment expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

27,776

Net pension debits reported on the government-wide statement of position but not reported on the governmental fund balance sheet.

831,462

Compensated absences are reported in the government-wide statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Liability @ 12/31/18	(1,217,510)	
Liability @ 12/31/17	1,274,170	56,660

Change in net position of governmental activities	<u>\$</u>	<u>8,383,563</u>
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The notes are an integral part of the financial statements.

City of Bonney Lake
Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	401 Water	402 Sewer	415 Stormwater	Total Proprietary Funds	
ASSETS					
Current assets:					
Cash and cash equivalents	10,946,514	3,764,303	2,777,056	17,487,873	3,749,233
Investments	0	0	0	0	0
Receivables	1,042,324	783,420	202,457	2,028,201	0
Due from other governmental units	0	0	0	0	0
Prepaid Items	0	0	0	0	0
Interfund loan receivable	0	0	0	0	0
Inventories	34,572	20,992	0	55,564	0
Restricted assets:					
Cash and cash equivalents	1,574,522	379,504	168,179	2,122,205	0
Deposits	4,246	6,139	0	10,385	0
Total current assets:	<u>13,602,178</u>	<u>4,954,358</u>	<u>3,147,692</u>	<u>21,704,228</u>	<u>3,749,233</u>
Noncurrent assets:					
Interfund loan receivable	0	0	0	0	0
Noncurrent - deposits	0	0	0	0	0
Noncurrent receivable	0	636	0	636	0
Capital assets:					
Land	2,085,059	843,350	207,837	3,136,246	0
Construction in progress	66,237	467,454	0	533,691	0
Buildings	6,143,006	5,660,148	32,964	11,836,118	0
Leasehold improvements	0	19,422,000	0	19,422,000	0
Improvements other than buildings	55,190,754	10,314,185	8,733,738	74,238,677	0
Machinery and equipment	769,006	1,974,853	3,279	2,747,138	7,128,960
Intangible asset	9,244,346	16,265,188	172,222	25,681,756	0
Accumulated depreciation	(26,226,503)	(22,255,728)	(3,138,570)	(51,620,801)	(4,767,965)
Total noncurrent assets:	<u>47,271,905</u>	<u>32,692,086</u>	<u>6,011,470</u>	<u>85,975,461</u>	<u>2,360,995</u>
Total assets	<u>60,874,083</u>	<u>37,646,444</u>	<u>9,159,162</u>	<u>107,679,689</u>	<u>6,110,228</u>
Deferred Outflows of Resources					
Deferred Outflows - pension	75,887	52,492	23,577	151,956	7,802
Total deferred Outflows of resources	<u>75,887</u>	<u>52,492</u>	<u>23,577</u>	<u>151,956</u>	<u>7,802</u>
LIABILITIES					
Current liabilities:					
Accounts payable	321,684	209,291	4,892	535,867	271,642
Due to other governments	6	382,921	0	382,927	0
Deposits	83,217	5,850	457	89,524	0
Accrued Interest Payable	115,655	0	0	115,655	0
Current portion of long-term debt	1,507,290	1,262,762	67,511	2,837,563	0
Other Liabilities	94,912	41,976	32,400	169,288	9,887
Total current liabilities:	<u>2,122,764</u>	<u>1,902,800</u>	<u>105,260</u>	<u>4,130,824</u>	<u>281,529</u>
Non current liabilities:					
Compensated absences	195,980	152,618	51,858	400,456	8,763
Revenue bonds payable	8,418,796	6,107,754	1,980,893	16,507,443	0
Public Works Trust Fund payable	5,102,563	6,922,880	0	12,025,443	0
Deposits - Noncurrent	0	0	0	0	0
Contract payable	0	13,290	0	13,290	0
Net Pension Liability	163,628	115,434	49,437	328,499	15,763
Total Non current liabilities:	<u>13,880,967</u>	<u>13,311,976</u>	<u>2,082,188</u>	<u>29,275,131</u>	<u>24,526</u>
Total liabilities	<u>16,003,731</u>	<u>15,214,776</u>	<u>2,187,448</u>	<u>33,405,955</u>	<u>306,055</u>
Deferred Inflows of Resources					
Deferred Inflows - pension	194,686	136,769	59,878	391,333	19,375
Total deferred Inflows of resources	<u>194,686</u>	<u>136,769</u>	<u>59,878</u>	<u>391,333</u>	<u>19,375</u>
NET POSITION					
Net investment in capital assets	32,243,256	18,384,764	3,963,066	54,591,086	2,360,995
Restricted for debt service	1,574,522	379,504	168,179	2,122,205	0
Restricted for replacement	0	0	0	0	0
Restricted for insurance	0	0	0	0	0
Unrestricted	10,933,775	3,583,123	2,804,168	17,321,066	3,431,605
Total net position	<u>44,751,553</u>	<u>22,347,391</u>	<u>6,935,413</u>	<u>74,034,357</u>	<u>5,792,600</u>

The notes are an integral part of the financial statements.

City of Bonney Lake
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				
	401 Water	402 Sewer	415 Stormwater	Total Proprietary Funds	Gov. Activities Internal Service Funds
OPERATING REVENUES					
Charges for goods and services	9,215,650	8,441,088	1,853,916	19,510,654	\$ 1,298,592
Total operating revenues	9,215,650	8,441,088	1,853,916	19,510,654	1,298,592
OPERATING EXPENSES					
Repairs & Maintenance	1,665,553	1,053,616	494,353	\$ 3,213,522	379,807
Other Supplies & Expenses	2,299,628	2,480,411	326,722	\$ 5,106,761	327,103
Personal Services	566,075	498,012	280,983	1,345,070	53,039
Insurance				-	-
Taxes	1,410,265	1,049,886	242,092	2,702,243	-
Depreciation	1,751,329	1,501,335	163,463	3,416,127	457,496
Total operating expenses	7,692,850	6,583,260	1,507,613	15,783,723	1,217,445
Operating income (loss)	1,522,800	1,857,828	346,303	3,726,931	81,147
Nonoperating revenues (expenses):					
Gain / (Loss) on retirement of assets	-	-	0	-	(19,159)
Investment earnings	192,223	61,238	50,606	304,067	54,424
Miscellaneous revenue (Expense)	135,719	63,936	18,993	218,648	12,723
Pension Expense	-	-	-	-	-
Grant income	-	-	-	-	-
Interest and other debt service cost	(325,122)	(243,727)	(60,742)	(629,591)	-
Total non operating revenue	2,820	(118,553)	8,857	(106,876)	47,988
Income (loss) before contributions and transfers	1,525,620	1,739,275	355,160	3,620,055	129,135
Capital contributions	1,350,724	1,091,203	840,140	3,282,067	-
Transfers in	-	-	-	-	-
Transfers out	(750,000)	(525,000)	(225,000)	(1,500,000)	-
Change in net position	2,126,344	2,305,478	970,300	5,402,122	129,135
Net position-beginning	42,748,255	20,156,573	5,997,873	68,902,701	5,663,465
Restatement per GASB 68 implementation		-	-	-	-
Prior period adjustment	(123,046)	(114,660)	(32,760)	(270,466)	-
Net position-ending	\$ 44,751,553	\$ 22,347,391	\$ 6,935,413	74,034,357	\$ 5,792,600

The notes are an integral part of the financial statements.

City of Bonney Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	WATER	SEWER	STORM	TOTAL	
Cash flows from operating activities:					
Receipts from customers and users	\$ 9,135,021	\$ 8,259,270	\$ 1,823,346	\$ 19,217,637	\$ 1,298,592
Payments for taxes	(1,410,265)	(1,049,886)	(242,092)	(2,702,243)	-
Payments to employees	(682,916)	(602,601)	(325,468)	(1,610,985)	(62,256)
Payments for goods and services	(3,795,733)	(2,916,407)	(804,758)	(7,516,898)	(443,376)
Net cash provided (used) by operating activities	3,246,107	3,690,376	451,028	7,387,511	792,960
Cash flows from noncapital financing activities:					
Grants and contributions	-	-	-	-	-
Interfund loan payments (transfers)	(750,000)	(525,000)	(225,000)	(1,500,000)	-
Nonoperating miscellaneous revenue	135,719	63,936	18,993	218,648	12,723
Net cash provided (used) by Noncapital financing	(614,281)	(461,064)	(206,007)	(1,281,352)	12,723
Cash flows from capital and related financing activities:					
Proceeds from capital debt	-	- #	-	-	-
Debt principal payments	(1,914,323)	(1,262,746)	(68,090)	(3,245,159)	-
Interest paid on debt	(325,122)	(243,727)	(60,742)	(629,591)	-
Proceeds from sales of equipment or vehicles	-	-	-	-	4,278
Payment for capital acquisitions	(611,877)	(860,312)	-	(1,472,189)	(775,874)
Net cash provided (used) by capital and related financing activities	(2,851,322)	(2,366,785)	(128,832)	(5,346,939)	(771,596)
Cash flows from investing activities:					
Interest income	192,223	61,238	50,606	304,067	54,424
Other	-	-	-	-	-
Net cash provided (used) by investing activities	192,223	61,238	50,606	304,067	54,424
Net Increase (decrease) in cash and cash equivalents	(27,273)	923,765	166,795	1,063,287	88,511
Cash and cash equivalents, beginning of year	12,552,555	3,226,181	2,778,440	18,557,176	3,660,722
Cash and cash equivalents, end of the year	\$ 12,525,282	\$ 4,149,946	\$ 2,945,235	\$ 19,620,463	\$ 3,749,233
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,522,800	\$ 1,857,828	\$ 346,303	3,726,931	\$ 81,147
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,751,329	1,501,335	163,463	3,416,127	457,496
Changes in assets and liabilities:					
(Increase) decrease in customer accounts receivable	(9,883)	(131,472)	(14,241)	(155,596)	-
(Increase) decrease in interfund loan receivable /Transfer In/Out	(69,396)	(50,346)	(16,329)	(136,071)	-
(Increase) decrease in prepaids	(1,350)	-	-	(1,350)	(18)
(Increase) decrease in inventory	26,514	177,831	-	204,345	-
Increase (decrease) in accounts payable	250,797	154,449	(570)	404,676	263,552
Increase (decrease) in deposits	15,399	3,790	457	19,646	-
Increase (decrease) in payroll payable	4,660	(2,445)	(1,879)	336	-
Increase (decrease) in compensated absences	(5,373)	2,555	(2,345)	(5,163)	1,476
Increase (decrease) in Pension Exp	(116,128)	(104,699)	(40,261)	(261,088)	(10,693)
Increase (decrease) in Prior Period Adjustments	(123,046)	(114,660)	(32,760)	(270,466)	-
Increase (decrease) in due to other governments	(216)	396,210	49,190	445,184	-
Net cash provided by operating activities	3,246,107	3,690,376	451,028	7,387,511	792,960
Non-Cash Transactions					
Developer Contributions	1,350,724	1,091,203	840,140	-	-

The notes are an integral part of the financial statements.

City of Bonney Lake, Washington
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation- 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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

Amounts reported as program revenues include 1) charges to customers 2) operating grants & contributions and 3) capital grants & contributions, including special assessments. Internally

dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

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

C. Measurement Focus, Basis of Accounting

1. Government-Wide & Governmental Funds

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

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

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

2. Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City are charges for services/goods,

fees related directly to their principal operations (e.g., connection fees if offset by current period expenses, i.e., not capitalized, etc.) as well as miscellaneous revenues provided they are directly related to principal operations. Essentially the cost of goods sold and service provided constitute operating expenses. We record operating expenses based on whether they are directly related to the primary purpose of the business-type activities fund. (IE: taxes that we pay directly on a utility to outside entities, or repairs & maintenance on equipment specific to the fund). All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Information

Scope of budget

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

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

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

Appropriations for general and special revenue funds lapse at year-end (except for appropriations for capital outlays, which are carried forward from year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

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

Amending the Budget

The City Administrator, CFO, and Mayor are authorized to transfer budgeted amounts between departments within any fund, however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment must be approved by the City Council. The City Council

may determine that it is in the best interest of the City to increase or decrease the appropriation for a particular fund. It must do so by resolution or ordinance approved by one more than the majority after holding public hearings.

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

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

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2018, the City holding \$68,151,638 in cash and cash equivalents. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

For purposes of the statement of cash flows, the City of Bonney Lake considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Investments

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

3. Receivables

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

Special assessments are receivables which consist of current and delinquent assessments and related interest and penalties. Assessments on the fund financial statement consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2018, we have no special assessments delinquent.

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

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

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

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

5. Inventories

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

Inventories in proprietary funds are valued by the LIFO method, which approximates the market value.

6. Restricted Assets and Liabilities

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

The restricted assets of the governmental funds are composed of the following:

Cash and Investments - Debt Service	\$ 4,093,100
Cash and Investments - Construction	\$ 26,922,279
	\$31,015,379

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

Cash and Investments - Debt Service	\$ 1,361,780
Cash and Investments - Construction	\$ 770,810
	\$2,132,590

7. Capital Assets (See Note 4)

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual purchase price of \$5,000 or greater and an estimated useful life in excess of two years, or for infrastructure assets, with an initial purchase price of \$50,000 or more and a useful life of greater than 20 years. Such assets are recorded at historical cost or estimated historical cost if purchased and constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

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

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

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

with a full twelve months of depreciation. Similarly, upon disposition, depreciation is calculated based upon the month of disposition.

8. Deferred Outflows/Inflows of Resources

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

9. Pensions

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

10. Compensated Absences

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

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

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

11. Other accrued liabilities

These accounts consist of accrued wages and accrued employee benefits.

12. Long-Term Obligations

See Note 6, Long-Term Debt

13. Unearned Revenues

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

14. Fund Balance Classification

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

- a) *Non-spendable*- amounts that cannot be spent either because they are non-spendable in form or because they are legally or contractually required to be maintained intact.
- b) *Restricted*- amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.
- c) *Committed*- amounts that can be used only for the specific purposes determined by formal action of the City Council, the government's highest level of decision making authority by resolution or ordinance. Commitments may be changed or lifted by referring to the formal action that imposed the constraint originally.
- d) *Assigned*- amounts that are constrained by the government's intent for a specified purpose authorized by someone to whom the governing body has delegated authority to, usually the City Administrator, elected officials and department heads, within the scope of their approved budgets, may assign fund balance for a specified purpose.
- e) *Unassigned*- includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

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

	2018 Fund Balance Classification					
	GENERAL	STREET	PARK	PUBLIC WORKS	GENERAL	OTHER
	FUND	CONSTRUCTION	CONSTRUCTION	CENTER	GOVERNMENTAL	GOVERNMENTAL
	FUND	FUND	FUND	FUND	CONSTRUCTION	FUNDS
Restricted	1,275	3,978,587	4,249,545	22,495,475	230,672	59,825
Committed		639,442	58,000	996,190	340,713	
Due to other Governments/payables						
Drug Investigation Fund						95,409
Assigned-Customer deposits	113,856					
Unassigned	11,879,051					
Total fund balances	11,994,182	4,618,029	4,307,545	23,491,665	571,385	155,234

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

FUND	Description	Amount
001	Restricted deposits held	\$ 1,275
Special revenue Funds:		
301-Street CIP	REET 1 & 2	\$ 647,175
	LTGO Bond- SR 410 & 204 th Intersection	\$ 3,978,587
302-Park CIP	REET 1 First Qtr Percent	\$ 477,355
	Growth Mgmt. Act Impact Fees-Park	\$ 200,691
303-Public Works C	Revenue from Utilities funds for Portion of Project	\$ 1,500,000
320-General CIP	REET 2-Second Qtr Percent	\$ 192,683

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

The major contributors of the committed fund balance are as follows:

FUND	Description	Amount
120-Drug Investigation	Drug Buy Money/Seizures	\$ 155,234
320-General CIP	Facilities Rentals/Utilities Per City Code 3.18 & 3.19	\$ 165,214

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

NOTE 2 – PROPERTY TAXES

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

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

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

The city may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services. The City's regular levy for 2018 was \$1.162588869290 per \$1,000 of assessed valuation of \$2,667,851,544 for a total regular levy of \$3,120,278.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Cash on hand at December 31, 2018 was \$ 1,375. The carrying amount of the City's deposits, was \$68,150,260. and the bank balance was \$68,151,635.

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

B. Investments

Investments in Local Government Investment Pool (LGIP)

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 <http://www.tre.wa.gov>.

During 2018, the City had its entire investment in the Washington State Local Government Investment Pool.

C. Summary of Deposit and Investment Balances

Reconciliation of city's deposits and investment balances as of December 31, 2018, is as follows: \$ 1,375.,Cash on hand, 5,156,604 deposited into Private Financial Institutions & \$62,993,656 deposited into our State LGIP, totaling \$68,151,635

NOTE 4 – CAPITAL ASSETS

A summary of capital assets activity for the year ended December 31, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,915,202	\$ -	\$ -	\$ 12,915,202
Construction in progress	10,766,480	3,025,606	(10,520,273)	3,271,813

Total capital assets, not being depreciated	<u>23,681,682</u>	<u>3,025,606</u>	<u>(10,520,273)</u>	<u>16,187,015</u>
Capital assets, being depreciated:				
Buildings	12,518,169	116,644	-	12,634,813
Improvements other than buildings	20,754,965	10,936,441	-	31,691,406
Machinery and equipment	3,395,669	240,574	-	3,636,243
Rolling Stock	6,773,008	775,874	(419,920)	7,128,962
Infrastructure	<u>17,541,221</u>	<u>1,355,896</u>	<u>-</u>	<u>18,897,117</u>
Total capital assets being depreciated	<u>60,983,032</u>	<u>13,425,429</u>	<u>(419,920)</u>	<u>73,988,541</u>
Less accumulated depreciation for:				
Buildings	(6,596,583)	(380,661)	-	(6,977,244)
Improvements other than buildings	(5,233,325)	(1,005,507)	-	(6,238,832)
Machinery and equipment	(2,719,722)	(100,983)	-	(2,820,705)
Rolling Stock	(4,706,952)	(457,496)	396,483	(4,767,965)
Infrastructure	<u>(10,318,649)</u>	<u>(471,884)</u>	<u>-</u>	<u>(10,790,533)</u>
Total accumulated depreciation	<u>(29,575,231)</u>	<u>(2,416,531)</u>	<u>396,483</u>	<u>(31,595,279)</u>
Total capital assets, being depreciated, net	<u>31,407,801</u>	<u>11,008,898</u>	<u>(23,437)</u>	<u>42,393,262</u>
Governmental activities capital assets, net	<u>\$ 55,089,483</u>	<u>\$ 14,034,504</u>	<u>\$ (10,543,710)</u>	<u>\$ 58,580,277</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,892,310	\$ 243,935	\$ -	\$ 3,136,245
Construction in progress	<u>2,589,626</u>	<u>632,746</u>	<u>(2,689,041)</u>	<u>533,331</u>
Total capital assets, not being depreciated	<u>5,481,936</u>	<u>876,681</u>	<u>(2,689,041)</u>	<u>3,669,576</u>

Capital assets, being depreciated:				
Buildings	12,080,053	-	(243,935)	11,836,118
Leasehold Improvements	19,422,000	-	-	19,422,000
Improvements other than buildings	68,078,816	6,159,861	-	74,238,677
Machinery and equipment	2,096,808	650,330	-	2,747,138
Intangible assets	<u>25,681,757</u>	<u>-</u>	<u>-</u>	<u>25,681,757</u>
Total capital assets being depreciated	<u>127,359,434</u>	<u>6,810,191</u>	<u>(243,935)</u>	<u>133,925,690</u>
Less accumulated depreciation for:				
Buildings	(2,411,175)	(239,962)		(2,651,137)
Leasehold Improvements	(7,040,475)	(485,550)		(7,526,025)
Improvements other than buildings	(21,078,988)	(1,412,793)		(22,491,781)
Machinery and equipment	(957,276)	(127,224)		(1,084,500)
Intangible assets	<u>(16,716,760)</u>	<u>(1,150,598)</u>		<u>(17,867,358)</u>
Total accumulated depreciation	<u>(48,204,674)</u>	<u>(3,416,127)</u>	<u>-</u>	<u>(51,620,801)</u>
Total capital assets, being depreciated, net	<u>79,154,760</u>	<u>3,394,064</u>	<u>(243,935)</u>	<u>82,304,889</u>
Business-type activities capital assets, net	<u>\$ 84,636,696</u>	<u>\$ 4,270,745</u>	<u>\$ (2,932,976)</u>	<u>\$ 85,974,465</u>

Depreciation expense was charged to functions/programs of the primary government as follows:
Depreciation Expense, 2018

Governmental activities:	
General government	\$ 487,930
Public safety	326,767
Physical Environment	221,078
Transportation	1,168,581
Health & Human Services	19,655
Economic Environment	-
Culture & Recreation	192,520

Total depreciation expense - governmental activities	\$ 2,416,531
Business-type activities:	
Water	\$ 1,751,329
Sewer	1,501,335
Stormwater	163,463
Total depreciation expense - business type activities	\$ 3,416,127

NOTE 5 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

See graph on following page.

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

Capital Commitments Year 2018			
		Spent-to-Date	Remaining Commitment
Governmental Activities			
Streets Capital Projects (301)			
	Roundabouts	-	400,669
Subtotal Street Capital Improvement Fund		-	400,669
Parks Capital Projects (302)			
	Allan Yorke Park improvements	256,135	4,623,865
	Fennel Creek Trail - Segment 2	1,000,658	2,456,342
Subtotal Parks Capital Improvement Fund		1,256,793	7,080,207
Public Works Center Capital Projects (303)			
	Public Woks Center Construction	2,015,020	43,509,610
Subtotal Public Woks Center Capital Improvement Fund		2,015,020	43,509,610
General Government Capital Projects (320)			
	Building Improvements	-	31,000
	Sr. Center Improvements	48,766	-
	JMC Card Access System	43,469	-
	SR 410 Reader Board	-	45,000
	PSB Improvements	-	211,000
	JMC Security Measures	-	125,350
General Government Capital Projects (325)			
	NONE	-	
Subtotal General Government Capital Improvement Fund		92,234	412,350
Total Governmental Funds		\$ 3,364,048	\$ 51,402,836
Business-Type Activities			
		Spent-to-Date	Remaining Commitment
Water Fund Projects (401)			
	SCADA Telemetry Upgrade	467,873	97,127
	TPU Pump Station	65,876	794,124
	Tacoma Pt Water Tank	-	350,000
	Ponderosa small Tank	-	675,000
	Tacoma Pt Generator	113,330	-
	Generator	-	286,000
	Tacoma Point Pumps #2 & #6	104,074	-
	24th St E Water Main Replacement	-	250,000
	Water Systems Tacoma Point	-	4,125,000
	Ball Park Wells Cooling	-	50,000
	36th St E Water Main Replacement	-	250,000
Subtotal Water Fund Projects		751,152	6,877,251
Sewer Fund Projects (402)			
	SCADA Telemetry Upgrade	1,132,061	934,102
	Sumner WWTP Upgrade	-	800,000
	Falling Waters Improvements	-	90,000
	SR 410 Sewer Bottleneck	314,349	1,172,381
	Lift Station #17 Improvements	116,466	483,534
	Work Equipment-Generator Lift Station 13	36,640	253,360
	LS 18 Replacement	-	1,900,000
	Lift Station 14 Generator	-	100,000
	Force Main-Mountain Creek	-	120,000
Subtotal Sewer Fund Projects		1,599,515	5,853,378
Stormwater Fund Projects (415)			
	NPDES	-	25,000
	Swale	-	55,500
	Drainage Improvements	-	60,000
Subtotal Stormwater Fund Projects		-	140,500
Total Business-Type Activities		2,350,668	12,871,129
Total All Funds		\$ 5,714,715	\$ 64,273,964

NOTE 6 – LONG TERM DEBT

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Proceeds are typically used for the acquisition or construction of major capital facilities. “Councilmanic Bonds” are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. The general obligation bond issues are recorded under governmental activities in the Statement of Net Position.

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

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

At December 31, 2018, the general obligation bonds payable consist of the following issue for governmental activities:

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

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

2015 LTGO	Governmental Activities	
Year Ending	Principal	Interest
2019	375,000	253,800
2020	385,000	242,550
2021	400,000	231,000
2022	410,000	219,000
2023	420,000	202,600
2024-2028	2,375,000	746,200
2029-2032	2,270,000	231,400
Totals	6,635,000	2,126,550
2017 LTGO	Governmental	

	Activities	
Year Ending	Principal	Interest
2019	270,000	91,526
2020	276,000	85,397
2021	283,000	79,132
2022	289,000	72,708
2023	295,000	66,148
2024-2028	1,581,000	227,114
2029-2031	1,038,000	47,488
Totals	4,032,000	669,514

Revenue Bonds

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

Purpose	Maturity Range	Interest Rate	Original Amount	Amount of Installment
2016 Revenue Bonds	25 yrs.	4.0%	15,865,000	430,000
2007 Revenue Bonds	12 yrs.	3.5% - 4.0%	4,570,000	425,000

Revenue bond debt service requirements to maturity are as follows:

	2007 Revenue Bonds	
Year Ending	Principal	Interest
2019	425,000	17,213
Totals	425,000	17,213

	2016 Revenue Bonds	
Year Ending	Principal	Interest
2019	430,000	625,850
2020	435,000	617,250
2021	445,000	608,550
2022	465,000	590,750
2023	480,000	572,150
2024-2028	2,710,000	2,556,550
2029-2033	3,300,000	1,968,750
2034-2038	4,010,000	1,254,550
2039-2041	2,870,000	291,750
Totals	15,145,000	9,086,150

Public Works Trust Fund Loans

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

At December 31, 2018, the Public Works Trust Fund loans payable consist of the following:

Fund	Loan #	Description	Due in 1 Year (2019)	Due in More Than 1 Year	12/31/2018 Ending Bal
401	PW-98-78898-07	Corrosion Control Facility	13,109	-	13,109
401	PW-98-78898-08	Lakeridge Booster Pump Station	32,966	-	32,966
401	PW-98-791-006	Ponderosa Reservoir #2 - 800 Zone Overflow Cons	-	(0)	-
401	PW-00-691-008	McGhee Water Main Replacement	38,306	38,306	76,613
401	PW-03-691-003	Spring Sources Water Quality Treatment Facilities	63,715	254,862	318,577
401	PW-04-691-008	Ball Park Well Water Quality Treatment Facility	178,676	893,382	1,072,059
401	PW-04-691-009	Leak Reduction Program	247,456	1,237,278	1,484,734
401	PW-PC-08-951-004	Leak Reduction Program Phase II	297,637	2,678,734	2,976,371
402	PW-02-691-006	Sumner Sewer Treatment Plant Upgrade	373,047	1,119,141	1,492,188
402	PW-04-691-007	Sumner Sewer Treatment Plant Upgrade	105,450	527,250	632,700
402	PW-06-962-ELP-302	Emergency Sewer Main Replacement	26,316	184,211	210,526
402	PW-PC-08-951-005	Reconstruct Trunk Sewer to Sumner WWTP	195,732	1,761,585	1,957,317
402	PC-12-951-045	Sumner /Bonney Lake Wastwater Treatment Plan	277,558	3,330,694	3,608,251
			1,849,968	12,025,443	13,875,412

Revenue bond debt service requirements to maturity are as follows:

	Public Works Trust Fund Loans	
Year Ending	Principal	Interest
2019	1,849,968	77,082
2020	1,803,893	66,789
2021	1,765,587	56,920
2022	1,765,587	47,435
2023	1,392,540	37,949
2024-2028	4,465,163	370,858
2029-2031	832,673	8,327
Totals	13,875,412	665,360

Interfund Loans and Advances

Within the City, one fund may borrow from another when specifically authorized by a City Council resolution.

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

	Beginning Bal.			Ending Balance	Due in One Year
Description	1/1/2018	Additions	Reductions	12/31/2018	
2017 G.O.Bond- BONGO17	4,032,000		-	4,032,000	270,000
2015 LTGO	7,105,000		470,000	6,635,000	375,000
OPEB Payable	355,237	40,389		395,626	-
Compensated Absences	1,274,170		47,897	1,226,273	-
Pension Liability	3,462,680		63,568	3,399,112	-
Total Governmental Activities	16,229,087	40,389	581,465	15,688,011	645,000
Business Type Activities					
Public Works Trust Fund Loans:					
PW 98-78898-07 Corrosion Control	29,949		16,840	13,109	13,109
PW 98-78898-08 Lakeridge Pmp Sta.	75,315		42,349	32,966	32,966
PW 98-791-006 Ponderosa Overflow	14,995		14,995	-	-
PW 00-691-008 McGhee Drive Water	114,919		38,306	76,613	38,306
PW 03-691-003 Spring Source H2O	382,293		63,716	318,577	63,715
PW 04-691-008 Ballpark Well treatmnt	1,250,735		178,676	1,072,059	178,676
PW 04-691-009 Leak Reduction Pgm	1,732,190		247,456	1,484,734	247,456
PC 08-951-004 Leak Reduction II	3,274,008		297,637	2,976,371	297,637
PW 02-691-006 Sumner Trt Plnt	1,865,235		373,047	1,492,188	373,047
PW 04-691-007 Sewer Trt Plnt Upgde	738,150		105,450	632,700	105,450
PW 06-962-ELP-302 Reconst Sewr to	236,842		26,316	210,526	26,316
PC 08-951-005 Reconstruct Swr line	2,153,048		195,731	1,957,317	195,732
PC 12-951-045 Waste Water Treatment Plnt	3,885,809		277,558	3,608,251	277,558
Sutotoal Trust Fund Loans	15,753,488		1,878,077	13,875,411	1,849,969
2007 Water/Sewer Refunding Bonds	840,000		415,000	425,000	425,000
2016 Revenue Bonds-PW Center	15,555,000		(1,515,037)	17,070,037	562,594
Contract Payable-Retainage	-	13,291		13,291	
Compensated Absences	405,619		5,163	400,456	
Pension Liability	732,790		404,291	328,499	
Subtotal Other Debt	17,533,409	13,291	(690,583)	18,237,283	987,594
Total Business Type Activities	33,286,897	13,291	1,187,493	32,112,694	2,837,563

NOTE 9 – PENSION PLANS

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

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (3,727,611)
Pension assets	\$ 2,066,628
Deferred outflows of resource	\$ 1,009,468
Deferred inflows of resources	\$ (2,221,519)
Pension expense/expenditure	\$ 210,369

State Sponsored Pension Plans

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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	Employer	Employee*
Rates			
January – August 2018			
PERS Plan 1		7.49%	6.00%
PERS Plan 1 UAAL		5.03%	
Administrative Fee		0.18%	
Total		12.70%	6.00%
September – December 2018			
PERS Plan 1		7.52%	6.00%
PERS Plan 1 UAAL		5.13%	
Administrative Fee		0.18%	
Total		12.83%	6.00%

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3			
Actual	Contribution	Employer 2/3	Employee 2*
Rates			
January – August 2018			
PERS Plan 2/3		7.49%	7.38%
PERS Plan 1 UAAL		5.03%	
Administrative Fee		0.18%	
Employee PERS Plan 3			Varies
Total		12.70%	7.38%
September – December 2018			
PERS Plan 2/3		7.52%	7.41%
PERS Plan 1 UAAL		5.13%	

Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.83%	7.41%

The City of Bonney Lake actual PERS plan contributions were \$ 401,260 to PERS Plan 1 and \$581,161 to PERS Plan 2/3 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	Employer	Employee
Rates			
January – August 2018			
PSERS Plan 2		6.74%	6.74%
PERS Plan 1 UAAL		5.03%	
Administrative Fee		0.18%	
Total		11.95%	6.74%
September – December 2018			
PSERS Plan 2		7.07%	7.07%
PERS Plan 1 UAAL		5.13%	
Administrative Fee		0.18%	
Total		12.38%	7.07%

The City of Bonney Lake actual plan contributions were \$10,045 to PSERS Plan 2 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 I had no required employer or employee contributions for fiscal year 2018. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services

rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services.

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
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	8.93%	8.75%

The City of Bonney Lake actual contributions to the plan were \$172,630 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 \$105,257,315 to LEOFF Plan 2. The amount recognized by the City of Bonney Lake as its proportionate share of this amount is \$163,681.

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. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% 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.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 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 7.4 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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The

WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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	% 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%
	100%	

Sensitivity of the Net Pension Liability / (Asset)

The table below presents the City of Bonney Lake proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City of Bonney Lake's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	-6.40%	-7.40%	-8.40%
PERS 1	3,103,679	2,525,498	2,024,676
PERS 2/3	5,496,494	1,201,676	(2,319,595)
PSERS 2	45,433	437	(34,869)
LEOFF 1	(119,571)	(150,305)	(176,766)
LEOFF 2	(254,835)	(1,916,323)	(3,271,459)

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 Bonney Lake reported a total pension liability of \$3,727,611 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 2,525,498
PERS 2/3	1,201,676
PSERS 2	437
LEOFF 1	(150,305)
LEOFF 2	(1,916,323)

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

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	150,305	1,916,323
State's proportionate share of the net pension asset associated with the employer	1,016,662	1,240,783
TOTAL	1,166,967	3,157,106

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	% 0.054887	% 0.056549	% 0.001662
PERS 2/3	0.068065	0.070380	0.002315
PSERS 2	0.014426	0.035296	0.020870
LEOFF 1	0.009222	0.008279	0.000943
LEOFF 2	0.094357	0.094390	0.000033

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 39.30 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.70 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

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

	Pension Expense
PERS 1	\$ 304,914
PERS 2/3	(21,200)
PSERS 2	8,142
LEOFF 1	(11,186)
LEOFF 2	(70,300)
TOTAL	\$ 210,369

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the city 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
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (100,362)
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate	\$ 0	\$ 0

share of contributions		
Contributions subsequent to the measurement date	\$ 206,269	\$ 0
TOTAL	\$ 206,269	\$ (100,362)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 147,294	\$ (210,391)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (737,404)
Changes of assumptions	\$ 14,058	\$ (341,987)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 101,067	\$ (135,225)
Contributions subsequent to the measurement date	\$ 299,076	\$ 0
TOTAL	\$ 561,494	\$ (1,425,008)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (12,203)
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 0	\$ 0
TOTAL	\$ 0	\$ (12,203)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,654	\$ (44,497)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (335,382)
Changes of assumptions	\$ 1,085	\$ (275,027)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 36,243	\$ (19,989)
Contributions subsequent to the measurement date	\$ 86,508	\$ 0
TOTAL	\$ 226,490	\$ (674,896)

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,243	\$ (449)
Net difference between projected and actual investment earnings on pension plan investments	\$ 0	\$ (5,897)
Changes of assumptions	\$ 47	\$ (2,706)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 6,715	\$ 0
Contributions subsequent to the measurement date	\$ 5,210	\$ 0
TOTAL	\$ 15,215	\$ (9,052)

Deferred outflows of resources related to pensions resulting from the city's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	PERS 1
2019	4,391
2020	(21,940)
2021	(65,835)
2022	(16,978)
2023	
Thereafter	
TOTAL	(100,362)

Year ended December 31	PERS 2/3
2019	(153,214)
2020	(254,785)
2021	(449,477)
2022	(165,259)
2023	(59,983)
Thereafter	(79,872)
TOTAL	(1,162,589)

Year ended December 31	LEOFF 1
2019	12
2020	(2,753)
2021	(7,498)
2022	(1,964)
2023	
Thereafter	
TOTAL	(12,203)

Year ended December 31	LEOFF 2
2019	(41,375)
2020	(92,154)
2021	(192,241)
2022	(72,807)
2023	(25,260)
Thereafter	(111,078)
TOTAL	(534,914)

Year ended December 31	PSERS
2019	502
2020	(128)
2021	(1,382)
2022	(407)
2023	344
Thereafter	2,024
TOTAL	953

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In 2018, the City implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Association of Washington Cities Employee Benefit Trust (“Trust”)

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

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

As of December 31, 2018, 281 cities/towns/non-city entities participate in the AWC Employee Benefit Trust Membership. All the risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) apply to each employer.

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

LEOFF Plan F		Status	Cost Breakdown
		Employee	694.89
		Employee & Spouse	1480.91
		Employee & Spouse 1 Child	1913.82
		Employee & Spouse Children	2141.62

Participating employers are contractually required to contribute at a rate assessed each year by the Trust. The City’s contributions to the Trust for the year ended December 31, 2018 were \$0, as the City has no participating retirees within the AWC Trust.

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

Law Enforcement Officers and Firefighters (LEOFF)

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

Under the LEOFF 1 healthcare reimbursements, mandated by RCW 41.26, RCW 41.18, and RCW 41.20, the plan member has no required contributions. The City is required to pay all healthcare expenses incurred by LEOFF 1 retirees. The City's cost is reduced by any amounts retirees receive from Medicare or any other health plans. LEOFF 1 retirees may request reimbursement for healthcare expenses that are not paid by their primary healthcare plan.

Amendments to the plan may be made through State statute.

Membership: Membership in LEOFF 1 includes participants who joined the system by September 30, 1977. As of December 31, 2018, one City employee meets this requirement. This is considered a closed group. No new members are permitted.

Funding Policy: Funding for LEOFF 1 retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements. Retirees are not required to contribute any portion of the cost coverage.

OPEB Liability

The City's OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:

Beginning of Measurement year	3.58%
End of Measurement Year	3.87%
Medicare participation	100%
Actuarial cost method	Entry Age Normal

Mortality – RP-2000 Mortality Table (combined healthy) with generational projection using 100% Male population & of Projection Scale BB, with ages set back two years Disabled and forward one year Healthy.

Specific Assumptions of the State Online AMM Tool, 99% of LEOFF1 members are already retired and the remaining are eligible to retire. The entry age normal total OPEB Liability is by definition equal to the present value of future benefits. Each cohort is assumed to be 100% male. Medical & long-term care costs were projected from June 30, 2016 to the measurement date of June 30, 2017 using the healthcare trend rates detailed in the 2016 LEOFF 1 medical benefits actuarial valuation report.

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

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.0 percent, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.0 percent) or 1-percentage point higher (5.0 percent) than the current rate.

	<i>1% Decrease (3.0%)</i>	<i>Current Discount Rate (4.0%)</i>	<i>1% Increase (5.0%)</i>
Total December 31, 2018 OPEB Liability	\$429,743	\$395,626	\$365,548

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1-percentage point lower or 1-percentage point higher than the current trend rate.

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
Total December 31, 2018 OPEB Liability	\$367,306	\$395,626	\$427,017

Changes in the Total OPEB Liability –LEOFF Plan 1

Changes in Total Pension Liability		Increase/(Decrease) Total Pension Liability
Balance as of Dec 31, 2017		411,785
Changes for the Year:		
	Service Cost	-
	Interest on total Pension liability	14,361
	Changes in Experience Data & Assumptions	(9,068)
	Effect of Plan Changes	-
	Estimated Benefit Payments	(21,452)
	Net change in Total OPEB Liability	395,626

For the year ended December 31, 2018, the City recognized an OPEB expense of \$ 5,293.

At December 31, 2018, the City reported deferred outflows of resources of \$11,617 related to OPEB.

The City contributed \$3,583.66 at December 31, 2018. For the City's single retired LEOFF 1 member, the City purchased health insurance from LEOFF TRUST Health & for \$3,270. The retired law enforcement employee received a benefit contribution of \$6,853.66 for retiree-only coverage.

NOTE 11 – HEALTH & WELFARE

The City of Bonney Lake is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to

jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 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.

NOTE 12 – RISK MANAGEMENT

The City of Bonney Lake is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 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, with Auto physical damage deductible of \$1,000 and property deductible of \$25,000. 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 property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA. The City's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the basic premium rate assigned to the business risk classification.

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

NOTE 14 – INTERFUND BALANCES AND TRANSFERS

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

Interfund transfers at December 31, 2018 were as follows:

	TRANSFER IN:	TRANSFER OUT:
Limited Tax G.O. Refunding Bonds, 2015	\$859,150	
General Fund		\$859,150
Public Works Center CIP	\$1,500,000	
General Gov't CIP		
Water		\$750,000
Sewer		\$525,000
Storm Water		\$225,000
	<u>\$2,359,150</u>	<u>\$2,359,150</u>

NOTE 15 – Accounting and Reporting Changes

The City implemented the new GASB Statement No. 75 which is accounting & financial reporting for postemployment benefits other than pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement

addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts.

NOTE 16 – Prior Period Adjustments

In 2018, The City had several prior period adjustments which corrected material errors in the financial statements.

In the government-wide statements there are an adjustments of \$(411,785) for the implementation of GASB Statement No.75 related to the beginning OPEB liability balance. There is an adjustment of \$305,251 for disposals of capital assets in 2017, not previously recognized. We also recognize an adjustment of \$527,233 to correct deferred inflows which were not recognized as revenue on the entity-wide statements in the prior year and a prior period correction in the fund statements of \$216,871; correcting adjustment of closing our debt fund & recognizing the amortized premium.

City of Bonney Lake
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2018

	Budget Amounts		Actual Biennium Through 12/31/2017	Actual Biennium Through 12/31/2018	Variance with Final Budget Over (Under)
	Approved	Approved			
	Original Budget	Revised Budget			
	2017-2018 Biennium	2017-2018 Biennium			
REVENUES					
Taxes	\$ 22,686,434	\$ 22,686,434	\$ 12,412,239	\$ 13,604,258	3,330,063
Licenses and permits	1,828,173	1,828,173	979,802	898,865	50,494
Intergovernmental	2,428,348	2,428,348	3,131,479	1,218,454	1,921,585
Charges for services	5,133,309	6,382,260	1,768,565	2,644,641	(1,969,054)
Fines and forfeitures	966,552	966,552	456,822	430,491	(79,239)
Miscellaneous-Interest	540,900	540,900	66,703	281,050	(193,147)
Other			245,914	373,520	619,434
Fund Balance-Beginning	3,222,249	4,536,431			
Total revenues	36,805,965	39,369,098	19,061,524	19,451,279	3,680,136
EXPENDITURES					
Current:					
General Government	10,790,832	11,826,832	4,811,576	3,963,019	(3,052,237)
Public safety	12,278,837	12,278,837	5,963,386	6,388,876	73,425
Utilities and environment					-
Transportation	3,914,944	3,914,944	1,795,270	1,833,484	(286,190)
Economic environment	1,799,733	1,799,733	879,529	1,039,456	119,252
Culture and recreation	2,109,227	3,636,308	1,285,223	1,678,164	(672,921)
Social services	847,350	847,350	347,110	375,712	(124,528)
Debt Service	2,833,550	2,833,550	1,029,504	81,822	(1,722,224)
Capital Outlay	83,500	83,500	34,508		(48,992)
Fund Balance--Ending projected	3,227,992	3,228,044			
Total expenditures	37,885,965	40,449,098	16,146,106	15,360,533	(5,714,415)
Excess (deficiency) of revenues over expenditures	(1,080,000)	(1,080,000)	2,915,418	4,090,746	9,394,551
OTHER FINANCING SOURCES (USES)					
Disposal of Capital Asset/Bond issued	1,080,000	1,080,000	1,080,000		-
Other Contributions	-	-	(1,370)	29,201	(1,370)
Transfers out			(926,782)	(859,150)	(926,782)
Total other financing sources (uses)	1,080,000	1,080,000	151,848	(829,949) #	(928,152)
Net change in fund balances	-	-	3,067,266	3,260,797 #	8,466,399

CITY OF BONNEY LAKE
Schedule of Changes in Total OPEB Liability and Related Ratios
for LEOFF 1 Retiree Medical Benefits
For the Year ended December 31, 2018
Last 10 Fiscal Years*

	<u>2018</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
Total OPEB liability - beginning	411,785								
Service cost	-								
Interest	14,361								
Changes in benefit terms	-								
Differences between expected and actual	-								
Changes of assumptions	(9,068)								
Benefit payments	(21,452)								
Other changes									
Total OPEB liability - ending	<u>395,626</u>								
Covered-employee payroll	0								
Total OPEB liability as a % of covered payroll	%	N/A							

Notes to Schedule:

- * Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The City used the Office of the State Actuary's GASB 75 Alternative Measurement Method (AMM) online tool to help determine our Law Enforcement Officers' and Fire Fighters Retirement System (LEOFF I) retiree healthcare cost for the reporting requirements for Other Post-Employment Benefits healthcare obligations and Governmental Accounting Standards Board (GASB) Statement No.75

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

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

PERS 1

As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.056549	0.054887	0.057688%	0.062865%				
Employer's proportionate share of the net pension liability	\$	2,525,498	2,604,431	3,098,117	3,288,424				
TOTAL	\$	2,525,498	2,604,431	3,098,117	3,288,424				
Employer's covered employee payroll	\$	7,336,149	6,809,869	7,022,554	6,575,108				
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	34.43%	38.24%	44.12%	50.01%				
Plan fiduciary net position as a percentage of the total pension liability	%	63.22%	61.24%	57.03%	59.10%				

Notes to Schedule:

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

City of Bonney Lake
Schedule of Proportionate Share of the Net Pension Liability
PERS 2, PERS 3
As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.07038	0.068065	0.070335%	0.075823%				
Employer's proportionate share of the net pension liability	\$	1,201,676	2,364,933	3,541,312	2,709,199				
TOTAL	\$	1,201,676	2,364,933	3,541,312	2,709,199				
Employer's covered employee payroll	\$	7,297,155	6,671,857	7,022,554	6,575,108				
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	16.47%	35.45%	50.43%	41.20%				
Plan fiduciary net position as a percentage of the total pension liability	%	95.77%	90.97%	85.82%	89.20%				

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake Schedule of Proportionate Share of the Net Pension Liability LEOFF 1 As of June 30, 2018 Last 10 Fiscal Years*								
	2018	2017	2016	2015	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.008279	0.009222	0.009189%	0.009091%			
Employer's proportionate share of the net pension liability	\$	150,305	139,918	0	0			
TOTAL	\$	150,305	139,918	0	0			
Employer's covered employee payroll	\$	0	0	0	0			
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	0.00%	0.00%	0.00%	0.00%			
Plan fiduciary net position as a percentage of the total pension liability	%	144.42%	135.96%	123.74%	127.36%			

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.094390	0.094357	0.097144%	0.101226%				
Employer's proportionate share of the net pension liability	\$	163,681	149,059	148,616	146,409				
LEOFF 2 employers only - State's proportionate share of the net pension liability (asset) associated with the employer	\$	103,751	96,692	96,887	96,806				
TOTAL	\$	267,432	245,751	245,503	243,215				
Employer's covered employee payroll	\$	3,027,103	2,946,583	3,063,883	3,391,287				
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	5.41%	5.06%	4.85%	4.32%				
Plan fiduciary net position as a percentage of the total pension liability	%	118.500%	113.360%	106.040%	111.670%				

Notes to Schedule:

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

City of Bonney Lake
Schedule of Proportionate Share of the Net Pension Liability
PSERS 2
As of June 30, 2018
Last 10 Fiscal Years*

	2018	2017	20XX	20XX	20XX	20XX	20XX	20XX
Employer's proportion of the net pension liability (asset)	%	0.035296	0.014426					
Employer's proportionate share of the net pension liability	\$	(437)	(2,826)					
TOTAL	\$	(437)	(2,826)					
Employer's covered employee payroll	\$	138,455	125,073					
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-0.32%	-2.26%					
Plan fiduciary net position as a percentage of the total pension liability	%	99.790%	96.260%					

Notes to Schedule:

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

City of Bonney Lake
Schedule of Employer Contributions
PERS 1

As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015	20XX	20XX	20XX	20XX	20XX
Statutorily or contractually required contributions \$	401,260	350,356	12,789	17,988					
Contributions in relation to the statutorily or contractually required contributions \$	401,260	350,356	12,789	17,988					
Contribution deficiency (excess) \$	0	0	0	0					
Covered payroll \$	7,810,441	6,960,828	7,022,554	6,575,108					
Contributions as a percentage of covered employee payroll %	5.14%	5.03%	0.18%	0.27%					

Notes to Schedule:

Both Employer & Employee made required contributions

Employer rates include administration expense fee currently set at 0.18%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake
Schedule of Employer Contributions
PERS 2, PERS 3
As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015	20XX	20XX	20XX
Statutorily or contractually required contributions	\$ 581,161	476,064	742,418	657,322			
Contributions in relation to the statutorily or contractually required contributions	\$ 581,161	476,064	742,418	657,322			
Contribution deficiency (excess)	\$ 0	0	0	0			
Covered employer payroll	\$ 7,798,510	6,922,105	6,901,212	6,397,889			
Contributions as a percentage of covered employee payroll	% 7.45%	6.88%	10.76%	10.27%			

Notes to Schedule:

Both Employer & Employee made required contributions

Employer rates include administration expense fee currently set at 0.18%

City of Bonney Lake
Schedule of Employer Contributions

LEOFF 2

As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	2016	2015	20xx	20xx	20xx	20xx
Statutorily or contractually required contributions	\$ 172,630	160,567	154,451	151,552				
Contributions in relation to the statutorily or contractually required contributions	\$ 172,630	160,567	154,451	151,552				
Contribution deficiency (excess)	\$ 0	0	0	0				
Covered employer payroll	\$ 3,052,131	3,011,127	2,952,515	2,922,377				
Contributions as a percentage of covered employee payroll	% 5.66%	5.33%	5.23%	5.19%				

Notes to Schedule:

LEOFF employees - BL Police Department

Number of participants: 48 (June 2015)

Contribution rates: Employer 5.23% - includes

employer administrative expense fee currently set at

0.18%

Actuarial Assumptions:

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

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

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

City of Bonney Lake
Schedule of Employer Contributions
PSERS 2

As of December 31, 2018
Last 10 Fiscal Years*

	2018	2017	20xx	20xx	20xx	20xx	20xx	20xx
Statutorily or contractually required contributions	\$ 10,045	8,343						
Contributions in relation to the statutorily or contractually required contributions	\$ 10,045	8,343						
Contribution deficiency (excess)	\$ 0	0						
Covered employer payroll	\$ 146,584	125,073						
Contributions as a percentage of covered employee payroll	% 6.85%	6.67%						

Notes to Schedule:

*LEOFF employees - BL Police Department
Number of participants: 48 (June 2015)
Contribution rates: Employer 5.23% - includes employer administrative expense fee currently set at 0.18%
Actuarial Assumptions:
Inflation: 3% total economic inflation; 3.75% salary inflation

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

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	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov