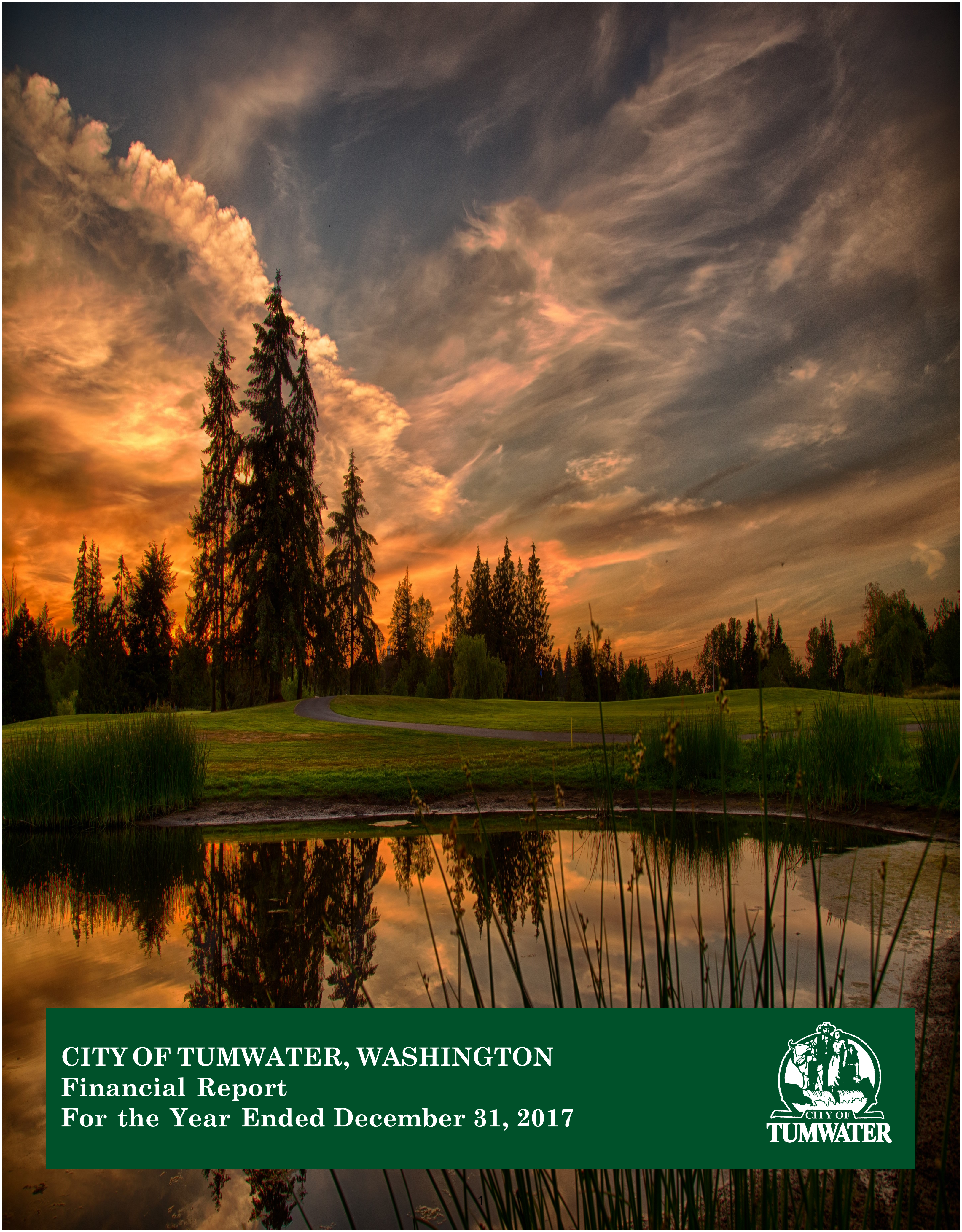

CITY OF TUMWATER, WASHINGTON
Financial Report
For the Year Ended December 31, 2017

CITY OF
TUMWATER

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CITY OF TUMWATER, WA

Annual Financial Report
For the Year Ended December 31, 2017

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Audit Opinion

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Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Tumwater

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

Published December 27, 2018

Report No. 1022921

Office of the Washington State Auditor
Pat McCarthy

December 27, 2018

Mayor and City Council
City of Tumwater
Tumwater, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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 Tumwater
January 1, 2017 through December 31, 2017

Mayor and City Council
City of Tumwater
Tumwater, 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 Tumwater, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2018. The City has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

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.

Pat McCarthy

State Auditor

Olympia, WA

December 20, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Tumwater
January 1, 2017 through December 31, 2017

Mayor and City Council
City of Tumwater
Tumwater, 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 Tumwater, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 9.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 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.

Management has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 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

Pat McCarthy

State Auditor

Olympia, WA

December 20, 2018

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Basic Financial Statements

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City of Tumwater
Statement of Net Position - Entity-Wide
December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash & Cash Equivalents	25,821,704	19,978,253	45,799,957
Receivables:			
Taxes Receivable	3,278,277	-	3,278,277
Accounts Receivable	985,373	1,257,294	2,242,667
Due from Other Governments	1,164,282	-	1,164,282
Inventories	14,320	234,767	249,087
NON-CURRENT ASSETS			
Equity Interest in Joint Venture	261,805	-	261,805
Net Pension Asset	3,430,459	-	3,430,459
Capital Assets:			
Historical Artifacts, Land, and Conststruction in Progress	98,139,318	6,465,447	104,604,765
Other Capital Assets, Net of Depreciation	71,827,921	55,813,260	127,641,181
Restricted Assets:			
Cash & Investments	5,685	2,016	7,701
Total Assets	**$ 204,929,144**	**$ 83,751,037**	**$ 288,680,181**
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	$ 10,101	$ 50,390	$ 60,491
Pension Related	1,027,231	309,484	1,336,715
Total Deferred Outflows of Resources	**$ 1,037,332**	**$ 359,874**	**$ 1,397,206**
Total Assets and Deferred Outflows of Resources	**$ 205,966,476**	**$ 84,110,911**	**$ 290,077,387**
LIABILITIES			
CURRENT LIABILITIES			
Payroll Payable	1,090,442	207,150	1,297,592
Vouchers Payable	1,164,224	1,150,289	2,314,513
Due to other Governments	1,074	-	1,074
Accrued Interest Payable	13,681	22,177	35,858
Deposits Payable	56,674	178,239	234,913
Compensated Absences (Current Portion)	823,311	169,642	992,953
Due Within One Year	731,991	345,560	1,077,551
NON-CURRENT LIABILITIES			
Compensated Absences	548,797	113,190	661,987
Other Post-employment Employee Benefits	3,022,774	-	3,022,774
Net Pension Liability	4,402,261	2,015,030	6,417,291
Due in More than One Year, Net of Premiums/Discounts	2,997,519	2,271,982	5,269,501
Total Liabilities	**$ 14,852,748**	**$ 6,473,259**	**$ 21,326,007**
DEFERRED INFLOWS OF RESOURCES			
Pension Related	$ 1,610,056	$ 345,396	$ 1,955,452
Total Deferred Inflows of Resources	**$ 1,610,056**	**$ 345,396**	**$ 1,955,452**
Total Liabilites and Deferred Inflows of Resources	**$ 16,462,804**	**$ 6,818,655**	**$ 23,281,459**
NET POSITION			
Net Investment in Capital Assets	$ 166,247,830	$ 59,711,555	$ 225,959,385
Restricted for:			
Capital Project Development	5,271,197	-	5,271,197
Net Pension Asset	3,430,459	-	3,430,459
Debt Service	112,906	-	112,906
Public Safety	1,101,995	-	1,101,995
Transportation Benefit District	480,144	-	480,144
Other Purposes	557,409	2,016	559,425
Unrestricted Net Position	12,301,732	17,578,685	29,880,417
Total Net Position	**$ 189,503,672**	**$ 77,292,256**	**$ 266,795,928**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

City of Tumwater
Statement of Activities
For the Year Ended December 31, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	$ 5,480,251	$ 1,258,310	$ 452,501	$ -	$ (3,769,440)	$ -	$ (3,769,440)
Public Safety - Police	6,143,977	363,454	112,067	-	(5,668,456)	-	(5,668,456)
Public Safety - Fire	6,989,532	2,385,915	238,488	5,100	(4,360,029)	-	(4,360,029)
Public Works	9,659,363	59,503	325,765	3,469,924	(5,804,171)	-	(5,804,171)
Economic Environment	1,918,125	1,129,779	170,197	6,920	(611,229)	-	(611,229)
Culture & History	199,030	-	-	-	(199,030)	-	(199,030)
Parks & Recreations	2,192,800	270,836	2,389	622,116	(1,297,459)	-	(1,297,459)
Interest on Long-Term Debt	149,661	-	-	-	(149,661)	-	(149,661)
Total Governmental Activities	**$ 32,732,739**	**$ 5,467,797**	**$ 1,301,407**	**$ 4,104,060**	**$ (21,859,475)**	**$ -**	**$ (21,859,475)**
Business-Type Activities:							
Water	4,331,463	4,918,068	121,611	1,594,050	-	2,302,266	2,302,266
Sewer	9,155,584	8,574,931	30,402	2,119,971	-	1,569,720	1,569,720
Stormwater	1,961,638	2,490,532	25,779	119,466	-	674,139	674,139
Golf Course	$ 1,551,840	$ 808,823	$ 85,158	$ -	$ -	$ (657,859)	$ (657,859)
Total Business-Type Activities	**$ 17,000,525**	**$ 16,792,354**	**$ 262,950**	**$ 3,833,487**	**$ -**	**$ 3,888,266**	**$ 3,888,266**
Total Governmental and Business-Type Activities	**$ 49,733,264**	**$ 22,260,151**	**$ 1,564,357**	**$ 7,937,547**	**$ (21,859,475)**	**$ 3,888,266**	**$ (17,971,209)**
General Revenues:							
Taxes							
Property Taxes, Levied for General Purposes					$ 8,964,314	$ -	$ 8,964,314
Property Taxes, Levied for Debt Service					233,244	-	233,244
Business and Franchise Licenses and Taxes					16,882,904	-	16,882,904
Unrestricted Investment Earnings					256,042	168,337	424,379
Miscellaneous					266,180	43,479	309,659
Transfers					(615,941)	615,941	-
Total General Revenues, Special Items, and Transfers					$ 25,986,743	$ 827,757	$ 26,814,500
Change in Net Position					4,127,268	4,716,023	8,843,291
Net Position - January 1st					185,376,404	72,576,233	257,952,637
Net Position - Ending					**$ 189,503,672**	**$ 77,292,256**	**$ 266,795,928**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

City of Tumwater
Balance Sheet
Governmental Funds
December 31, 2017

	GENERAL FUND	DEVELOPMENT FEES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	Total Governmental Funds
ASSETS						
Cash & Cash Equivalents	$ 12,009,808	$ 4,539,214	$ 112,906	$ 5,073,652	$ 615,989	$ 22,351,569
Receivables:						
Taxes Receivable	2,819,652	-	-	417,126	41,499	3,278,277
Accounts Receivable	256,961	726,298	-	-	2,114	985,373
Due from Other Funds	-	3,980,000	-	-	-	3,980,000
Due from Other Governments	550,813	-	-	613,469	-	1,164,282
Restricted Assets:						
Restricted Cash & Investments	-	-	-	5,685	-	5,685
Total Assets	**$ 15,637,234**	**$ 9,245,512**	**$ 112,906**	**$ 6,109,932**	**$ 659,602**	**$ 31,765,186**
LIABILITIES						
Vouchers Payable	$ 517,280	$ -	$ -	$ 546,248	$ 81,818	$ 1,145,346
Payroll Payable	1,045,924	-	-	12,028	219	1,058,171
Deposits Payable	56,674	-	-	-	-	56,674
Due to Other Funds	-	-	-	3,980,000	-	3,980,000
Due to Other Governments	1,074	-	-	-	-	1,074
Total Liabilities	**$ 1,620,952**	**$ -**	**$ -**	**$ 4,538,276**	**$ 82,037**	**$ 6,241,265**
DEFERRED INFLOWS OF RESOURCES						
Fines & Forfeitures - Earned But Not Available	149,970	-	-	-	-	149,970
Taxes - Earned But Not Available	$ 1,265,537	$ -	$ -	$ 36,800	$ 20,156	$ 1,322,493
Grants	-	-	-	239,865	-	239,865
Total Deferred Inflow of Resources	**$ 1,415,507**	**$ -**	**$ -**	**$ 276,665**	**$ 20,156**	**$ 1,712,328**
Total Liabilities and Deferred Inflows of Resources	**$ 3,036,459**	**$ -**	**$ -**	**$ 4,814,941**	**$ 102,193**	**$ 7,953,593**
FUND BALANCES (DEFICITS)						
Nonspendable	$ -	$ 3,980,000	$ -	$ -	$ -	$ 3,980,000
Restricted	1,582,140	5,265,512	112,906	5,685	557,409	7,523,652
Committed	1,029,205	-	-	1,289,306	-	2,318,511
Assigned	667,540	-	-	-	-	667,540
Unassigned	9,321,890	-	-	-	-	9,321,890
Total Fund Balances (Deficits)	**$ 12,600,775**	**$ 9,245,512**	**$ 112,906**	**$ 1,294,991**	**$ 557,409**	**$ 23,811,593**
Total Liabilities, Deferred Inflows, and Fund Balances (Deficits)	**$ 15,637,234**	**$ 9,245,512**	**$ 112,906**	**$ 6,109,932**	**$ 659,602**	**$ 31,765,186**

Amounts reported for governmental activities in the Statement of Net Assets differ for the following reasons:

TOTAL OF FUND BALANCES FOR ALL GOVERNMENTAL FUNDS (THIS STATEMENT)	$ 23,811,593
Taxes and other revenue earned as an economic resource, but deferred as a financial resource	$ 1,712,328
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	$ 165,921,786
Other assets not available to pay for current-period expenditures	$ 261,805
An internal service fund is used to charge for the use of heavy equipment, vehicles, and electronic equipment to the individual funds. The net assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets.	$ 7,051,308
Long-term debt, including bonds and other debt instruments plus accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	$ (3,733,088)
Pension related assets, liabilities, deferred inflows, and deferred outflows do not require financial resources and are only reported on the government-wide financial statements.	$ (1,169,261)
Compensated absences are classified as long-term liabilities, do not require financial resources and are onlyreported on the government-wide statements.	$ (1,330,025)
Other post-employment employee benefits are classified as long-term liabilities, do not requirefinancial resources and are only reported on the government-wide statements.	$ (3,022,774)
	$ 189,503,672

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

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

	GENERAL FUND	DEVELOPMENT FEES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes	$ 21,578,893	$ -	$ 233,244	$ 3,270,097	$ 338,845	$ 25,421,079
Licenses & Permits	1,355,326	-	-	-	-	1,355,326
Intergovernmental	3,579,013	-	-	2,949,757	-	6,528,770
Charges for Services	1,915,070	2,128,885	-	58,328	47,737	4,150,020
Fines & Forefeitures	116,792	-	-	-	508	117,300
Miscellaneous	240,591	83,805	10,876	213,996	3,663	552,931
Total Revenues	**$ 28,785,685**	**$ 2,212,690**	**$ 244,120**	**$ 6,492,178**	**$ 390,753**	**$ 38,125,426**
EXPENDITURES						
Current:						
General Government	$ 5,323,438	$ -	$ -	$ 1,144	$ -	$ 5,324,582
Public Safety - Police	5,987,629	-	-	-	21,241	6,008,870
Public Safety - Fire	6,915,521	-	-	-	-	6,915,521
Public Works	4,354,275	-	-	2,175,944	-	6,530,219
Economic Environment	1,757,132	-	-	-	176,485	1,933,617
Culture & History	1,035	-	-	-	120,927	121,962
Parks & Recreations	1,972,567	-	-	-	-	1,972,567
Debt Service:						
Interest & Fiscal Charges	-	-	182,098	33,643	-	215,741
Principal Retirement	-	-	709,483	-	-	709,483
Capital Outlay:						
General Government	36,806	-	-	108,635	-	145,441
Public Safety - Police	-	-	-	5,920	-	5,920
Public Safety - Fire	-	-	-	151,553	-	151,553
Public Works	55,279	-	-	4,675,405	-	4,730,684
Economic Environment	700,000	-	-	-	-	700,000
Culture & History	-	-	-	173,888	-	173,888
Parks & Recreations	-	-	-	667,933	-	667,933
Total Expenditures	**$ 27,103,682**	**$ -**	**$ 891,581**	**$ 7,994,065**	**$ 318,653**	**$ 36,307,981**
Excess (Deficiency) of Revenues Over Expenditures	**$ 1,682,003**	**$ 2,212,690**	**$ (647,461)**	**$ (1,501,887)**	**$ 72,100**	**$ 1,817,445**
OTHER FINANCING SOURCES (USES)						
Transfers In	50,000	-	655,060	904,689	-	1,609,749
Transfers Out	(1,946,187)	(817,801)	-	(667,413)	-	(3,431,401)
Total Other Financing Sources (Uses)	**$ (1,896,187)**	**$ (817,801)**	**$ 655,060**	**$ 237,276**	**$ -**	**$ (1,821,652)**
Net Change in Fund Balances	**$ (214,184)**	**$ 1,394,889**	**$ 7,599**	**$ (1,264,611)**	**$ 72,100**	**$ (4,207)**
Fund Balances - Beginning	12,814,958	7,850,623	105,308	2,559,604	485,309	23,815,802
Fund Balances - Ending	**$ 12,600,774**	**$ 9,245,512**	**$ 112,907**	**$ 1,294,993**	**$ 557,409**	**$ 23,811,595**

Amounts reported for governmental activities in the Statement of Activities differ for the following reasons:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (THIS STATEMENT)	$ (4,207)
Taxes earned as an economic resource, but not a financial resource	$ 454,806
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period. In addition, it includes the net effect of miscellaneous transactions involving capital assets as a change in net assets for the current period (i.e. sales, trades, donations, and changes in equity in a joint venture). These changes are reported as Miscellaneous General Government Income in the Statement of Activities.	$ 1,385,210
Debt service principal payments are an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position. Also included are amortization of deferred losses and premiums, as well as the accrual of interest on bonds reported in the Statement of Activity that do not require the use of current resources and therefore are not reported as expenditures in the governmental funds.	$ 775,564
Increases in Other Post-Employment Benefits do not require financial resources and the increase in benefit expense is only reported on the government-wide statements.	$ (391,618)
Increases in Compensated Absence balances do not require financial resources and the increase in benefit expenses is only reported on the government-wide statements.	$ (933)
Pension-related assets, liabilities and deferrals are updated at the end of each year resulting in increases or decreases in pension expense. A decrease in pension expense does not release financial resources and is only reported on the government-wide statements.	$ 734,950
An internal service fund is used to charge costs for the use of heavy equipment, vehicles, and electronic equipment to individual funds. The net revenue of the internal service fund is included in the governmental activities programs in the Statement of Activities as a reduction of expenses.	$ 1,173,496
CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	**$ 4,127,268**

City of Tumwater
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities			Governmental Activities
	Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	$ 19,867,622	$ 110,631	$ 19,978,253	$ 3,470,135
Receivables:				
Accounts Receivable	1,213,269	44,025	1,257,294	-
Interfund Loan Receivable	955,732	-	955,732	-
Inventories	38,136	196,631	234,767	14,320
NON-CURRENT ASSETS				
Historical Artifacts, Land, and Construction in Progress	6,361,222	104,225	6,465,447	43,722
Other Capital Assets, Net of Depreciation	52,928,908	2,884,352	55,813,260	4,001,731
Restricted Assets:				
Investments	2,016	-	2,016	-
Total Assets	**$ 81,366,905**	**$ 3,339,864**	**$ 84,706,769**	**$ 7,529,908**
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	$ 247,390	$ 62,094	$ 309,484	$ 58,151
Deferred Loss of Refunding	-	50,390	50,390	-
Total Deferred Outflows of Resources	**$ 247,390**	**$ 112,484**	**$ 359,874**	**$ 58,151**
Total Assets and Deferred Outflows of Resources	**$ 81,614,295**	**$ 3,452,348**	**$ 85,066,643**	**$ 7,588,059**
LIABILITIES				
CURRENT LIABILITIES				
Vouchers Payable	$ 1,131,448	$ 18,841	$ 1,150,289	$ 18,878
Payroll Payable	176,414	30,736	207,150	32,271
Deposits Payable	4,200	174,039	178,239	-
Interfund Loans Payable	-	955,732	955,732	-
Accrued Interest Payable	261	21,916	22,177	-
Compensated Absences Liability (Current Portion)	143,363	26,279	169,642	25,298
Current Portion of Long Term Debt	44,730	300,830	345,560	-
NON-CURRENT LIABILITIES				
Net Pension Liability	1,610,740	404,290	2,015,030	378,620
Compensated Absences Payable	95,640	17,550	113,190	16,785
Long Term Liabilities (Net of Amortized Discount)	-	2,271,982	2,271,982	-
Total Liabilities	**$ 3,206,796**	**$ 4,222,195**	**$ 7,428,991**	**$ 471,852**
DEFERRED INFLOWS OF RESOURCES				
Pension Related	$ 276,097	$ 69,299	$ 345,396	$ 64,899
Total Deferred Inflows of Resources	**$ 276,097**	**$ 69,299**	**$ 345,396**	**$ 64,899**
Total Liabilities and Deferred Inflows of Resources	**$ 3,482,893**	**$ 4,291,494**	**$ 7,774,387**	**$ 536,751**
NET POSITION				
Net Investment in Capital Assets	$ 59,245,400	$ 466,155	$ 59,711,555	$ 4,045,453
Restricted for:				
Other Purposes	2,016	-	2,016	-
Unrestricted	18,883,986	(1,305,301)	17,578,685	3,005,855
Total Net Position	**$ 78,131,402**	**$ (839,146)**	**77,292,256**	**$ 7,051,308**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

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

	Business-type Activities			Governmental Activities
	Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Charges for Services	$ 15,983,526	$ 808,823	$ 16,792,349	$ 2,236,500
Other Operating Revenue	177,797	85,158	262,955	76,939
Total Operating Revenues	**$ 16,161,323**	**$ 893,981**	**$ 17,055,304**	**$ 2,313,439**
OPERATING EXPENSES				
Operations & Maintenance	9,628,682	1,098,425	10,727,107	582,169
Administration Overhead	2,856,958	83,870	2,940,828	1,113,275
Taxes	1,171,849	3,276	1,175,125	-
Depreciation & Amortization	1,790,562	260,995	2,051,557	737,854
Total Operating Expenses	**$ 15,448,051**	**$ 1,446,566**	**$ 16,894,617**	**$ 2,433,298**
Operating Income (Loss)	**$ 713,272**	**$ (552,585)**	**$ 160,687**	**$ (119,859)**
NONOPERATING REVENUES (EXPENSES)				
Interest Income	168,337	-	168,337	26,612
Interest Expense	$ (634)	$ (105,274)	$ (105,908)	$ -
Other Income (Expense)	-	43,479	43,479	61,032
Total Nonoperating Revenues (Expenses)	**$ 167,703**	**$ (61,795)**	**$ 105,908**	**$ 87,644**
Income (Loss) Before Contributions and Transfers	**$ 880,975**	**$ (614,380)**	**$ 266,595**	**$ (32,215)**
Capital Contributions	$ 3,833,487	$ -	$ 3,833,487	$ -
Transfers In	-	821,113	821,113	1,205,711
Transfers Out	(205,172)	-	(205,172)	-
Change in Net Position	**$ 4,509,290**	**$ 206,733**	**$ 4,716,023**	**$ 1,173,496**
Total Net Position - Beginning	73,622,112	(1,045,879)	72,576,233	5,877,812
Total Net Position - Ending	**$ 78,131,402**	**$ (839,146)**	**$ 77,292,256**	**$ 7,051,308**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

City of Tumwater
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 14,674,277	$ 808,823	$ 15,483,100	$ -
Receipts from Quasi-External Operating Transactions	-	-	-	2,311,351
Receipts from Other Operating Activities	182,181	101,447	283,628	2,088
Payments to Suppliers of Goods and/or Services	(6,236,862)	(423,863)	(6,660,725)	(948,246)
Payments to Employees	(3,136,470)	(726,897)	(3,863,367)	(711,634)
Payments to Quasi-External Operating Transactions	(1,517,238)	(58,128)	(1,575,366)	(223,203)
Payments for Other Operating Activities	(1,229,983)	(3,276)	(1,233,259)	(3,727)
Net Cash Provided (Used) by Operating Activities	**$ 2,735,905**	**$ (301,894)**	**$ 2,434,011**	**$ 426,629**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Change in Interfund Loan	$ 185,000	$ (185,000)	$ -	$ -
Interest Received on Interfund Loan	10,972	-	10,972	-
Interest Paid on Interfund Loan	-	(10,972)	(10,972)	-
Transfer from Other Funds	-	821,113	821,113	1,205,711
Net Cash Provided (Used) by Noncapital Financing Activities	**$ 195,972**	**$ 625,141**	**$ 821,113**	**$ 1,205,711**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for Capital Acquisitions	$ (1,893,823)	$ -	$ (1,893,823)	$ (1,517,428)
Principal Repayment on Public Works Trust Fund	(44,730)	-	(44,730)	-
Interest Paid on Public Works Trust Fund	(895)	-	(895)	-
Proceeds from Disposal of Assets	-	76,400	76,400	139,076
Grants	-	-	-	-
Principal Repayment on Bond	-	(359,744)	(359,744)	-
Interest Paid on Bond	-	(94,866)	(94,866)	-
Principal Repayment on Capital Lease	-	(41,148)	(41,148)	-
Interest Paid on Capital Lease	-	(6,032)	(6,032)	-
Transfers to Other Funds	(205,172)	-	(205,172)	-
Contributions in Aid of Construction	1,352,105	-	1,352,105	-
Net Cash Provided (Used) by Capital and Related Financing Activities	**$ (792,515)**	**$ (425,390)**	**$ (1,217,905)**	**$ (1,378,352)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of Interest	$ 157,362	$ -	$ 157,362	$ 26,612
Net Cash Provided (Used) by Investing Activities	**$ 157,362**	**$ -**	**$ 157,362**	**$ 26,612**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 2,296,724**	**$ (102,143)**	**$ 2,194,581**	**$ 280,600**
Cash and Cash Equivalents January 1	$ 17,570,898	$ 212,774	$ 17,783,672	$ 3,189,535
Cash and Cash Equivalents December 31	**$ 19,867,622**	**$ 110,631**	**$ 19,978,253**	**$ 3,470,135**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ 713,272	$ (552,585)	$ 160,687	$ (119,859)
Non-Cash Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:				
Depreciation/Amortization Expense	1,790,562	260,995	2,051,557	737,854
Changes in Assets and Liabilities:				
Accounts Receivables	(65,235)	-	(65,235)	-
Other Operating Receivables	4,384	(34,380)	(29,996)	-
Inventory	4,028	(26,143)	(22,115)	(1,506)
Accounts Payable - Other	(21,532)	50,669	29,137	-
Accounts Payable - Supplier	400,562	3,998	404,560	(85,307)
Payroll Liability Payable	(106,175)	(11,772)	(117,947)	(85,068)
Compensated Absences Liability	16,039	7,324	23,363	(19,485)
Net Cash Provided (Used) by Operating Activities	**$ 2,735,905**	**$ (301,894)**	**$ 2,434,011**	**$ 426,629**
Noncash Investing, Capital, and Financing Activities:				
Capital Contributions	$ 2,481,382	$ -	$ 2,481,382	$ -
Capital Lease for Equipment	$ -	$ (385,193)	$ (385,193)	$ -

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

City of Tumwater
Statement of Fiduciary Net Position
December 31, 2017

	Agency funds
ASSETS	
Cash with Trustee	$ 293,597
Total assets	$ 293,597
LIABILITIES	
Trustee Deposits Payable	$ 293,597
Total liabilities	$ 293,597
NET POSITION	

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

Notes to the Financial Statements

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CITY OF TUMWATER, WASHINGTON
Notes to the Financial Statements
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Tumwater have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental. The Governmental Accounting Standards Board (GASB) is the nationally accepted standard setting body for establishing governmental accounting and financial reporting principles. GASB 63 and GASB 65 regarding deferred inflows and deferred outflows, *and GASB 68, Accounting and Financial Reporting for Pension* have been implemented in the financial statements and notes. The other significant accounting policies are described below.

1. A - Reporting Entity

The City of Tumwater was incorporated on November 25, 1869 and operates under the laws of the State of Washington applicable to a Code City Mayor/Council, form of government. The City provides what are considered general governmental services authorized by state law, including public safety, highways and streets, parks and recreation, planning and zoning, permits and inspections, general administration, and water and sewer services.

The Tumwater Transportation Benefits District (TBD) was authorized on September 16, 2014 by the City of Tumwater Ordinance No. 02014-019. It was created in accordance with state law to provide a source of funding for the maintenance and preservation of streets and related infrastructure, ordinarily a general government activity and reported in the General Fund. Voters approved the TBD on April 28, 2015. It is a legal entity separate from the City. It is reported as a blended component unit of the City's General Fund because the City has financial and operational responsibility and because the governing body of the City and of the TBD are the same. Separate financial statement for the TBD may be obtained at http://www.ci.tumwater.wa.us/departments/finance/city-budget/financial-reports.

1.B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. 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 not allocate indirect costs to a specific function or segment within general government programs. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

The blended component unit is combined with Governmental Activities on the Statement of Net Position and Statement of Activities

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

The government-wide financial statements are reported using *the economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are considered to be fully collectible and are recognized as a receivable and revenues when assessed. Other taxes, such as sales, business and occupational, and utility taxes are recorded when earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are earned, measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental fund:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Development Fees Fund* is a special revenue fund that receives and disperses funds (i.e., transportation impact fees, park impact fees) via Interfund transfers for the specific development activities.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *Capital Projects Fund* is the City's primary reporting fund for general government acquisition and development projects (i.e., government buildings, city parks) and transportation infrastructure development.

The City reports the following major proprietary funds:

- The *Combined Utilities Fund* provides water, sewer, and storm drain services to most properties within the City and to some areas outside the City limits.
- The *Golf Course Fund* operates the Tumwater Valley Municipal Golf Course, a 7,200 yard 18-hole championship golf course with a pro-shop operated by the fund and restaurant space leased to a private party.

Additionally, the City reports the following fund type:

- An *Internal Service Fund* that accounts for heavy equipment and vehicle fleet management services as well as computer and communication equipment to the general government and enterprise funds.
- A component unit, the Tumwater Transportation Benefit District, a special revenue fund. The funding for it is sales tax of two tenths of a percent (0.2%) which was approved by voters for the repair and maintenance of roadways and streets.
- A fiduciary fund, where the City's fire fighters pay into a health reimbursement plan per labor agreement with the International Association of Fire Fighters, Local 2409. The plan is managed by a third party, which determines expense validity and makes the reimbursements to the fire

fighters. The City holds the funds and transfers money to the third party at its request. The City also holds at times assets obtained as evidence during Police work. These funds are held until a Court determines the rightful owner. The City then disburses the funds according to the Court order.

As a general rule, the effect of Interfund activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of property taxes and payments for utility taxes because elimination of these charges would distort the true costs and program revenues of the funds and functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than program revenues, therefore general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services essential services. Operating expenses for the enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

The use of estimates is an inherent part of financial reporting. The City uses estimates for the useful lives and salvage value of depreciable assets and for certain periods benefiting from deferred costs, for example. Estimates may change as more and better information becomes available and to better reflect the current effect of future events. The City was consistent with its application of estimates and did not make changes.

1. D – Assets, Liabilities, and Net Position or Fund Balance

1.D.1 – Deposits and Investments (see Note 4 – 1-Deposits and Investments)

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City considers an investment to be a security or other asset with a maturity of over three months that (a) it holds for the purpose of investment earnings or profit, that (b) can generate cash or be sold to generate cash, and that (c) is not auxiliary to or in support of the City's service capacity or ability.

The City is authorized by state law to invest in certificates of deposit issued by Washington State depositories that participate in the State of Washington Public Deposit Protection Commission Pool, U.S. Treasury and agency securities, state and local government obligations, banker's acceptance and repurchase agreements, and the State of Washington Local Government Investment Pool (LGIP).

As of December 31, 2017 the City held funds in the Local Government Investment Pool. The funds have immediate liquidity and are, therefore, reported as cash equivalent.

The City defines and reports investments according to GASB 72, Fair Value Measurement and Application, and reports its funds held in LGIP according to GASB 79, Certain External Investment Pools and Pool Participants.

The City holds one investment, which is immaterial in amount and is reported at amortized cost.

1.D.2 – Receivables and Payables

Taxes receivable consist of earned property taxes (see: Note 4 – 3- Taxes Receivable), retail sales tax, buisness and occupations taxes, utility taxes, and other taxes.
Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Customer accounts receivable consists of amounts owed on municipal court fines, utility customers for services provided, and other situations as they arise. Other significant non-recurring miscellaneous receivables are recognized as needed if measurable and available in governmental funds or recorded in proprietary funds.

1.D.3 – Amount Due To and From Other Funds and Governments, Interfund Loans

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "Interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances," if applicable. (A disclosure of Interfund loans receivable and payable is included in Note 5-Interfund Loans and Transfers.)

Items identified as "Due from Other Governments" typically represents expenditures or expenses incurred during the reporting period, and expected to be reimbursed through a grant. Items identified as "Due to Other Governments" represent the amount owed by the Utility fund to other governmental agencies for waste treatment and utility tax.

1.D.4 – Inventories

All inventories in proprietary funds are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased. However, there are no inventories in governmental activities at this time.

1.D.5 – Restricted Assets and Liabilities

Restricted assets include those amounts reserved for revenue bond debt as stipulated in the covenants of the issue, proceeds provided for debt service, legally restricted lodging tax revenue, fees collected specifically for development purposes (i.e.; impact fees, mitigation fees), money acquired from drug seizures and other felonies restricted to drug enforcement activities, and other purposes as they may occur.

1.D.6 – Capital Assets (see Note 4.3-Capital Assets)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated aquisition value at the date of donation. Intangible assets are included to the extent they can be identified. The type of intangibles the City may hold that have a definite useful life may include easements, water rights, and computer software. Of the items examined, easements that have been acquired have an indefinite useful life, water rights acquired are used in the production of the water supplied to the customers rather than held for resale. The City has placed value in the purchase of licensing of integrated software used by all departments, the conversion of data, and implementation.

The City may annex certain areas, combine or transfer services, and either acquire or dispose of assets, liabilities, and other deferrals in the process. It applies GASB 69 to those infrequent transactions. In 2017, the City had no such transactions.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the reporting period there were no such projects funded by debt proceeds, therefore no capitalized interest to recognize.

Property, plant, and equipment of the City are depreciated using the straight line method with useful lives of 3 to 50 years depending on the type of asset. The useful lives of Infrastructure normally is 20-50 years, Buildings and components is 5-50 years, Improvements other than buildings is 5-50 years, Motor vehicles useful life is 5-15 years, electronic equipment 3-6 years and other machinery and equipment is 5-15 years.

Transportation infrastructure is reported in G*overnmental Capital Assets Not Being Depreciated* as *Construction in Progress* until each project is completed. At that time it is to be identified as infrastructure assets in the appropriate classifications and depreciated over the useful life of the assets.

1.D.7 – Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Annual leave is accumulated monthly at annual rates ranging from 12 to 23 days depending on tenure and union agreements. Employees may accumulate up to a maximum of 240 to 360 hours inclusive of current year accruals according to union agreements and City ordinances. Vacation leave is payable upon resignation, retirement, or death, to all employees having completed six months of service up to a maximum of 240 hours. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds if they have matured.

The sick leave accrual rate for forty hour per week employees is eight hours per month. Twenty-four hour fire department shift employees are credited with one working day of sick leave for each full month of employment. Some classes of employees are eligible for payment of sick leave at 25 percent of the hourly value upon retirement, voluntary termination, or layoff. Additionally, some employees may cash out a portion of sick leave each year at 25 percent of the hourly value based on criteria that recognizes minimal use of sick leave over a minimum of nine years of employment. The City estimates a current portion of this liability with the percentage of leave taken after the year it was earned.

1.D.8 – Other Accrued Liabilities

Accrued wages and benefits and the cost of goods or service received by all funds not paid by the end of the fiscal year are recognized in the year in which incurred. This includes the cost of services provided by the regional waste water treatment facility and is recognized in the financial statement of the Utilities Fund and in the business-type activities in the government-wide reports.

1.D.9 – Long-term Debt (see Note 4 – 6-Debt)

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when they are incurred.

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

<u>1.D.10 – Pensions</u>

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.

<u>1.D.11. Deferred Outflows/Inflows of Resources</u>

The Statement of Net Position can include a separate section below assets that is called Deferred Outflows. Deferred Outflows represent the consumption of net position that applies to a future period and will not be recognized as an expense until then. The most common deferred outflow is related to a loss on refunding of debt and net pension obligations (GASB No. 68), where the current actual retirement experience and investment performance might have been worse than the actuarially determined assumptions.

Additionally, the Statement of Net Position can include a separate section below liabilities called Deferred Inflows. Deferred Inflows represent the acquisition of net position that applies to a future period and will not be recognized as revenue or avoidance of an expense until then. The most common example is the deferred gain on refunding debt or a deferral related to net pension obligations (GASB No 68), where the current retirement experience or investment performance might be better than the actuarially determined assumptions.

The Balance Sheet includes deferred inflows from non-exchange transactions, such as property taxes, sales taxes, business and occupational taxes, utility taxes, and other taxes, which have been earned, but are not available for current year expenditures.

<u>1.D.12 – Fund Balance Classifications</u>

As provided in GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, the City reports the fund balance classifications in aggregate in the balance sheet of the funds financial statement.

The following is the hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent:

- <u>Non-spendable</u> – Not available for spending in the current year (prepaid items, inventories, long-term portion of loans receivable, non-financial resources held for sale).
- <u>Restricted</u> – Subject to externally enforceable legal restrictions (imposed by creditors, grantors, donors, other governments, etc.) or imposed by law through constitutional or enabling legislation.
- <u>Committed</u> – Constrained by limitations that the City imposes upon itself by an action of the City Council and that remains binding unless removed in the same manner.
- <u>Assigned</u> – Reflects balances specifically assigned by Council through the budget process with every budget adoption cycle. These balances are called out for Council approval through special approval schedules for specific programs supported by Council and are incorporated into the budget and adopted with the City's overall budget.

- Unassigned – The remaining fund balance after identifying all other classifications of resources.

The following table presents the detail of each fund balance classification reported in the fund level Balance Sheet:

	MAJOR GOVERNMENTAL FUNDS				OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	DEVELOPMENT FEES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
FUND BALANCES						
Nonspendable:						
Due from Other Fund		$ 3,980,000				$ 3,980,000
Restricted for:						
Public Safety Levy	$ 1,101,995					$ 1,101,995
Restricted Donation				$ 5,685		$ 5,685
Transportation Benefit District	$ 480,144				$ -	$ 480,144
G.O. Bond Debt Service			$ 112,906			$ 112,906
Impact & Mitigation Fees		$ 5,265,512				$ 5,265,512
Lake Management District					$ 14,858	$ 14,858
Lodging Tax Funds					$ 447,154	$ 447,154
Drug Enforcement					$ 83,064	$ 83,064
Domestic Violence Advocacy					$ 12,333	$ 12,333
Committed to:						
Emergency Preparedness	$ 1,029,205					$ 1,029,205
Capital Facilities Plan				$ 1,289,306		$ 1,289,306
Assigned to:						
Facilities Maintenance	$ 35,456					$ 35,456
E-Link & Fiberoptics Updates	$ 526,270					$ 526,270
Tumwater Youth Program	$ 33,968					$ 33,968
Parks Board	$ 18,964					$ 18,964
Historical Commission	$ 48,697					$ 48,697
K-9 Program	$ 4,185					$ 4,185
Unassigned:	$ 9,321,891	$ -	$ -	$ -	$ -	$ 9,321,891
TOTAL FUND BALANCE	**$ 12,600,775**	**$ 9,245,512**	**$ 112,906**	**$ 1,294,991**	**$ 557,409**	**$ 23,811,593**

Totals of All Funds By Classification:	
Non-Spendable	$ 3,980,000
Restricted	$ 7,523,651
Committed	$ 2,318,511
Assigned	$ 667,540
Unassigned	$ 9,321,891
TOTAL OF ALL FUNDS	**$ 23,811,593**

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position -governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Liabilities, including bonds and other debt instruments plus interest are not due and payable in the current period and therefore are not reported in the funds." This also applies to pension related items. Details of these and other differences are as follows:

Adjustments to Convert from Fund-wide Balance Sheet to Government-wide Statement of Net Position

Release of Deferred Resource and Recognition of Revenue		
Taxes	1,322,493	
Fines and Forfeitures	149,970	
Grants	239,865	
		1,712,328
Pension-Related		
Net Pension Asset - LEOFF 1 and 2	3,430,459	
Deferred Outflows	969,079	
Net Pension Liabilites (PERS)	(4,023,641)	
Deferred Inflows	(1,545,158)	
		(1,169,261)
Historic Artifacts, Land, Construction in Progress and Other Capital Assets, Net of Accumulated Depreciation		165,921,786
Other Assets		
Equity Interest in Joint Venture		261,805
Internal Service Fund Net Position		7,051,308
Long-term Debt Related		
Accrued Interest	(13,679)	
Loss on refunding	10,101	
Due Within One Year	(731,991)	
Due Within More than One Year	(2,997,519)	
		(3,733,088)
Compensated Absence Liability		(1,330,025)
Other Post-employment Employee Benefits		(3,022,774)
Total Conversion Adjustments		**165,692,079**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances-total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as reported as depreciation expense." The details of these and other difference are as follows:

Adjustments to Convert from Fund-wide Statement of Revenues, Expenditures and Changes in Fund Balances to Government-wide Statement of Activities

Revenues Earned as Economic, and not Financial, Resource		
Taxes	64,971	
Fines and Forfeitures	149,970	
Grants	239,865	
		454,806
Decrease in Pension Expense		734,950
Historic Artifacts, Land, Construction in Progress and Other Capital Assets, Net of Depreciation Related		
Increase in Equity Interest in Joint Venture	5,034	
Decrease in Capital Outlay	4,380,513	
Increase in Depreciation	(3,983,298)	
Contributed Assets	982,961	
		1,385,210
Internal Service Fund Change in Net Position		1,173,496
Long-term Debt Related		
Amortization of Loss on Refunding	(10,101)	
Amortization of Premiums and Accrual of Interest	76,182	
Principal debt service payments	709,483	
		775,564
Increase in Other Post-employment Employee Benefits		(391,618)
Increase in Compensated Absences		(933)
Total Conversion Adjustment		**4,131,475**

The net effect of $734,950 pension-related benefit decrease stems from better than anticipated investment returns and retirement experience and is the excess of pension contributions over actuarially determined pension expense.

NOTE 3–STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1 - Budgetary Information

The City budgets its funds in accordance with the Revised Code of Washington (RCW 35A.34). In compliance with the Code, budgets for all funds are established with the exception of the fiduciary funds. Budgets established for proprietary funds are "management budgets".

The biennial budget, which begins on the odd years, is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level (i.e., expenditures may not exceed budget appropriations at the fund level). Transfers or revisions within funds are allowed, but supplemental or additional appropriations must be approved by the City Council. All appropriations lapse at the end of the biennium. Unexpended resources must be re-appropriated in the subsequent biennium. The budgetary basis used in the City is substantially the same as the basis of accounting for the governmental fund types.

Washington State law establishes the biennial budget process and the time limits under which a budget must be developed. The City follows the procedures outlined below to establish its budget. The budget schedule, listing more specific dates for completing the following items is established in June.

- Department directors provide the City Administrator and Mayor with preliminary estimates of revenues and expenditures by September 1.
- The Mayor's preliminary budget is filed with the City Clerk on or before October 1.
- The City Council will fix by ordinance the amounts to be raised in property taxes on or before the first week of November each year of the budget.
- During the first two weeks of November, the City Clerk publishes notice of the filing of the preliminary budget and publishes notice of public hearings.
- During November and before the public hearing, the City Council meets in a work session to review the preliminary budget. These meetings are open to the public.
- On or before the first Monday of December, final public hearings are commenced and may be continued to no later than the 25^{th} day of December prior to the next fiscal year.
- On or before December 31, the City Council adopts the final budget ordinance. The City Clerk publishes a notice indicating budget adoption has been completed.
- The final budget document is published, distributed, and made available to the public during the first three months of the following year.
- A Mid-biennial Review and Modification must occur no sooner than eight months after the start nor later than the conclusion of the first year of the biennium.

Supplementary information is presented later in this report for the general fund and all major special revenue funds that illustrate budgetary information for the current year of the biennium.

2 – Excess of Expenditures over Appropriations and Deficits of Fund Equity

- No funds exceeded the appropriations adopted in the budget.
- The Golf Course Enterprise Fund reports a deficit fund balance every year. This deficit should decline yearly as debt service payments are made. The General Government Capital Construction Fund transfers funds annually to the Golf Course Fund for payment of debt service on the General Obligation bonds. The current principal outstanding of these bonds is $2,165,000 and the final debt service payment is made in 2025.
- There have been no material violations of finance-related, legal or contractual provisions.

NOTE 4 – DETAILED NOTES RELATING TO ALL FUNDS

4.1 – Deposits and Investments

As required by state law and the City's investment policy, all deposits and investments of the City funds consist of deposits in Washington Public Deposit Protection Commission (PDPC) member institutions, obligations of the U.S. Government, state or local governments, federal government sponsored corporations, the Washington State Local Government Investment Pool (LGIP), bankers acceptances, and investment deposits.

At the end of the current reporting period, the City held bank deposits in the amount of $6,235,467, and an LGIP deposit of $39,858,047. It also held cash-on-hand of $5,725 and an investment of $2,016 in form of a bank-held Certificate of Deposit. The latter is considered to be immaterial, and no further disclosures specifically required for investments are deemed necessary.

Bank Deposits

The City's bank deposits and certificates of deposit are covered by federal deposit insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public

Deposit Protection Commission (PDPC). The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington. It constitutes a multiple financial institution collateral pool that insures public deposits. In the case of a loss by any public depository in the state, each public depository is liable for an amount up to ten percent of its public deposits. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, and by monitoring the financial condition of all public depositaries and optimizing collateralization requirements.

Deposits in LGIP

The City also maintains deposits in the Washington State Local Government Investment Pool (LGIP) which it reported in the financial statements as cash and cash equivalents.

LGIP is a unrated external investment pool, created by Chapter 294, Laws of 1986 and began operations in July 1986. The LGIP is a short-term investment pool of the State of Washington, available to eligible governmental entities as defined by Revised Code of Washington (RCW) 43.250.020. Participation is voluntary. The LGIP is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP. The State Treasurer and designated investment officers adhere to all restrictions on the investment of funds established by law and policy.

The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost which approximates fair value. The funds are limited to high quality obligations with regulated maximum and average maturities. The LGIP does not have legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. Participants are offered 100% liquidity and they may contribute and withdraw funds on a daily basis. The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting.

As participant of LGIP, the City's deposit is exposed to the same risks as the holdings of the LGIP. They are disclosed in the stand-alone LGIP financial report, a copy of which is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, or online at http://www.tre.wa.gov.

As required by state laws, it is the City's policy to limit its investments in debt securities to the obligations of the U.S. Government, U.S. Agency issues, obligations of Washington State municipalities, and the Local Government Investment Pool. The policy of the LGIP is to invest in securities and instruments that are eligible under various state laws. The investment policy of the LGIP is available at www.tre.wa.gov. The City does not have formal risk policies otherwise.

Custodial Credit Risk

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

The summary of deposits and investments below includes cash on hand, which is usually under $10,000 at any one time, and cash of the Fiduciary Fund.

Summary of Deposits and Investments

Deposits and Investments December 31, 2017		
Statement of net position		
Cash and cash equivalents	$	45,799,957
Restricted cash		5,685
Restricted investment		2,016
Statement of fiduciary net position		
Cash and cash equivalents		293,597
TOTAL DEPOSITS & INVESTMENTS	$	46,101,255

4.2 – Property Taxes

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

The property tax calendar is as follows:

- January 1 - Property taxes are levied on property values assessed as of the same date and become an enforceable lien against properties.
- February 14 – Tax bills are mailed.
- April 30 - The first of two equal installments is due.
- May 31 – Assessed value of property is established for next year's levy at 100% of market price.
- October 31 – The second installment is due.

Property taxes are recorded as revenue when received or available. Any property taxes collected in advance of the fiscal year to which they apply are recorded as deferred inflow and recognized when earned. No allowance for uncollectible taxes is established at this time because delinquent taxes are considered fully collectible.

The City is permitted by law to levy up to $3.10 per $1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following reasons:

- The Washington State constitution limits the total regular property taxes to one percent of assessed valuation or $10 per $1,000 of value.
- If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
- In 2001, a referendum was approved which limits the increase in general property taxes to 1 % above the prior year's assessment.
- The City may voluntarily levy taxes below the limits approved by referendum(s).
- Special levies approved by the voters are not subject to the above limitations.

In August 2011, the citizens of Tumwater approved a six-year permanent levy lid lift of general property taxes for the purpose of enhancing existing public safety programs. The levy increases property taxes by 29% in 2012 to collect an additional $1,445,000, increasing by a CPI factor through 2017 and becoming permanent in 2018. Due to the effect of the levy lid lift and changes in property values, the regular rate per $1,000 on assessed value stands at $2.89 in 2017. Total taxes assessed were $9,030,966 based on that rate on total assessed valuation of $3,120,098,628.

In addition to the regular tax levy, $236,575 was levied for the retirement of general obligation bonds issued for the construction of the Fire Department Headquarters building and fire suppression apparatus acquired in 1998.

4.3 – Taxes Receivable

Taxes Receivable on the Statement of Net Position and the Balance Sheet consist of the following at the end of the current reporting period:

	General Fund	Capital Projects Fund	Other Govern-mental Funds	Total
Property Taxes	$158,833	-	-	$158,833
Sales Taxes	1,433,274	-	-	1,433,274
Business & Occupational Taxes	564,788	-	-	564,788
Utility Taxes	465,536	289,346	-	754,882
All Other Taxes	197,221	127,780	41,499	366,500
Total	**$2,819,652**	**$417,126**	**$41,499**	**$3,278,277**

4.4 – Capital Assets

Governmental capital asset activity for the ended December 31, 2017 was as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital Assets not being Depreciated:				
Historic Artifacts	790,643	60,480	-	851,123
Land	4,547,542	-	-	4,547,542
Right of Way	81,740,791	-	-	81,740,791
Work in Progress	8,350,363	9,075,810	(6,426,311)	10,999,862
Total Capital Assets not being Depreciated	$ 95,429,339	$ 9,136,290	$ (6,426,311)	$ 98,139,318
Other Capital Assets:				
Buildings	$ 11,952,348	$ 586,530	$ -	$ 12,538,878
Improvements	9,289,674	109,650	-	9,399,324
Machinery and Equipment	9,546,369	1,860,143	(989,388)	10,417,124
Capitalized Integrated Software	480,537	21,098	-	501,635
Roadways	117,194,622	1,671,356	-	118,865,978
Total Other Capital Assets at Historical Cost	$ 148,463,550	$ 4,248,777	$ (989,388)	$ 151,722,939
Less Accumulated Depreciation				
Buildings	$ (7,446,608)	$ (404,461)	$ -	$ (7,851,069)
Improvements	(2,401,286)	(376,181)	-	(2,777,467)
Machinery and Equipment	(5,623,730)	(785,047)	830,566	(5,578,211)
Capitalized Integrated Software	(284,146)	(37,861)	-	(322,007)
Roadways	(60,251,587)	(3,114,677)	-	(63,366,264)
Total Accumulated Depreciation	$ (76,007,357)	$ (4,718,227)	$ 830,566	$ (79,895,018)
Other Capital Assets, Net of Depreciation	$ 72,456,193	$ (469,450)	$ (158,822)	$ 71,827,921
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSET	$ 167,885,532	$ 8,666,840	$ (6,585,133)	$ 169,967,239

Depreciation was charged to functions as follows:

Governmental Activities	
General Government	$ 184,242
Public Safety - Police	$ 176,537
Public Safety - Fire	$ 160,906
Public Works	$ 17,152
Public Works - Roadway	$ 3,114,677
Economic Environment	$ 9,360
Culture & History	$ 76,805
Parks & Recreation	$ 243,619
In addition, depreciation on capital assets held by an internal service fund is charged to various functions based on their usage of the assets owned by the fund.	$ 734,929
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE	**$ 4,718,227**

Business-type capital asset activity for the year ended December 31, 2017 was as follows:

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital Assets not being Depreciated:				
Land and Improvements	$ 3,944,730	$ -	$ -	$ 3,944,730
Construction in Process	3,168,087	1,570,824	(2,218,194)	2,520,717
Total Capital Assets not being Depreciated	7,112,817	1,570,824	(2,218,194)	6,465,447
Other Capital Assets:				
Buildings	$ 2,070,339	$ 966,990	$ -	$ 3,037,329
Improvements	3,419,967	-	-	3,419,967
Machinery and Equipment	1,776,702	1,314,663	(169,311)	2,922,054
Utility Systems	74,067,883	3,126,113	-	77,193,996
Total Other Capital Assets at Historical Cost	$ 81,334,891	$ 5,407,766	$ (169,311)	$ 86,573,346
Total Assets	$ 88,447,708	$ 6,978,590	$ (2,387,505)	$ 93,038,793
Less Accumulated Depreciation				
Buildings	$ (948,278)	$ (62,901)	$ -	$ (1,011,179)
Improvements	(1,831,061)	(81,362)	-	(1,912,423)
Machinery and Equipment	(1,341,319)	(150,804)	136,392	(1,355,731)
Utility Systems	(24,724,263)	(1,756,490)	-	(26,480,753)
Total Accumulated Depreciation	$ (28,844,921)	$ (2,051,557)	$ 136,392	$ (30,760,086)
Other Capital Assets, Net of Depreciation	$ 52,489,970	$ 3,356,209	$ (32,919)	$ 55,813,260
NET BUSINESS-TYPE ACTIVITIES CAPITAL ASSET	$ 59,602,787	$ 4,927,033	$ (2,251,113)	$ 62,278,707

Depreciation was charged to functions as follows:

Business-Type Activities	
Combined Utility	$ 1,790,562
Golf Course	260,995
TOTAL BUSINESS-TYPE ACTIVITIES DEPRECIATION EXPENSE	$ 2,051,557

4.5 – Construction Commitments

The City has active construction projects in progress as of December 31, 2017. City staff charges labor costs for project planning, review time as well as professional services and construction contracts to each project. Transportation projects are often funded from impact and mitigation fees (which are paid by developers) and from local, State or Federal grants. Utility projects are funded from ongoing service fees and some grants.

The major construction commitments as of the end of the current reporting period were:

PROJECT NAME	SPENT TO DATE	ESTIMATED REMAINING COMMITMENT
Tyee Drive Extension / Israel Road Improvement:	3,415,032	104,715
Tumwater Blvd Interchange Interim Improvements	834,488	111,403
Palermo Wellfield Redevelopment Phase 4	1,167,665	4,137
70th Ave Water & Sewer	955,845	30,947
Total	$ 6,373,030	$ 251,202

NOTE 5 – INTERFUND LOANS AND TRANSFERS

Loans

An Interfund loan from the combined utility funds to the golf course fund has been authorized by City ordinance. During the year $185,000 was repaid. The principal balance at the end of the year is $955,732 with an authorized maximum of $2,100,000.

The Development Fund made an interfund loan to the Transportation Capital Facilities Fund in the amount of $1,980,000 in addition to $2,000,000, loaned the year before. The loan and associated terms were authorized by Council with Ordinance O2016-027 on November 15, 2016 with a maximum amount of $4,900,000. The first minimum principal payment is expected to be made in the amount of $700,000 in 2018, with interest only payments until then. This interfund loan is reported on the fund-wide Balance Sheet as internal receivable and payable balance, but is eliminated for the government-wide Statement of Net Position and not carried forward.

Transfers

The General Fund transferred $558,760 for City Hall expansion project and a fire engine purchase, which were financed through a capital lease (see also debt disclosures) and a general obligation bond, respectively. The transfer is for the related debt service payments. The Development Fee Fund transferred money totaling $817,801 the majority of which represents impact fees collected from new development and utilized in the current year for parks and transportation projects. The Golf Course Fund transfer-in of $521,113 from the Capital Projects Fund is authorized as a component of the capital facilities plan and is for payment of debt service by the Golf Course Fund. The General Fund also funded operations of the Golf Course Fund with a transfer of $300,000.

	Transfers In					
Transfers Out	**General Fund**	**Debt Service Fund**	**Capital Projects Fund**	**Golf Course Fund**	**Internal Service Fund**	**Total**
General Fund		558,760	86,888	300,000	1,000,539	**1,946,187**
Development Fees Fund			817,801			**817,801**
Capital Projects Fund	50,000	96,300		521,113		**667,413**
Utilities Fund					205,172	205,172
Total Transfers Out	**50,000**	**655,060**	**904,689**	**821,113**	**1,205,711**	**3,636,573**

NOTE 6 – DEBT AND OTHER LIABILITIES

Short Term Debt

The City has not utilized anticipation notes, lines of credit, or similar short-term borrowing instruments during the reporting period.

Leases

The City may enter into lease agreements for financing capital acquisitions. Leases for golf carts, golf course maintenance equipment, a fire pumper truck, and for expansion of city hall have been authorized. These lease agreements are called capital leases because the underlying security is equipment, but are bonds in nature and for accounting purposes. They are recorded as long-term debt. One lease for forty golf carts was paid off late in the lease, but before the end of the lease term and replaced with a capital lease for fifty-five golf carts. All principal and interest payments are made according to the bond or lease agreements. All payments have been made timely.

Long Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In past years, general obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding are as follows:

OUTSTANDING GENERAL OBLIGATION BONDS

Purpose	Interest Rate		Amount
Golf Course Acquisition and Upgrade	2.0% - 4.5%	$	2,165,000
Fire Headquarters and Trucks	3.0% - 3.5%	$	225,000

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR GENERAL OBLIGATION BONDS

Year Ending	Governmental Activities		Business-Type Activities	
December 31	Principal	Interest	Principal	Interest
2018	225,000	8,875	235,000	83,844
2019			245,000	75,125
2020			250,000	65,225
2021			265,000	54,925
2022			275,000	43,438
2023-2027			895,000	55,025
TOTAL	225,000	8,875	2,165,000	377,582

The City can also issue revenue bonds where the City pledges a portion of income derived from the utilities to pay debt service. No revenue bonds were outstanding in this reporting period.

The City borrowed funds from the State of Washington Public Works Board. Public works trust fund loans (PWTFL) are available to selected local governments for the repair, replacement, reconstruction, rehabilitation, or improvements of bridges, roads, domestic water systems, sanitary sewer, and storm systems. The City has one PWTFL and this junior lien of the City Utility Fund is paid from the revenue generated from operations.

The terms and outstanding payments are as follows:

OUTSTANDING PUBLIC WORKS TRUST FUND LOANS

Purpose	Interest Rate		Amount
Combined Utility Projects	1.00%	$	44,730

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR PUBLIC WORKS TRUST FUND LOANS

Year Ending December 31	Principal	Interest
2018	44,730	447

The City entered into bond agreements for the acquisition of equipment and real property and pledged those assets as loan security. Because these loans are secured by equipment they are often referred to as capital leases. These arrangements are facilitated by the Washington State Treasurer's Office and are Certificates of Participation bonds (also known as COPs).

The terms and outstanding payments are as follows:

OUTSTANDING CERTIFICATES OF PARTICIPATION BONDS

Purpose	Interest Rate	Amount
City Hall Expansion	2.394%	$2,170,000
Fire Pumper Truck	1.849%	$245,647
Street Lights & HVAC	2.326%	$770,000
		$3,185,647

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR CERTIFICATES OF PARTICIPATION BONDS

Year Ending December 31	Principal	Interest
2018	506,992	142,765
2019	534,768	116,864
2020	567,833	89,299
2021	591,054	60,326
2022	555,000	31,675
2023-2027	430,000	40,900
TOTAL	3,185,647	481,828

In 2017 the City purchased fifty-five new electric golf carts under a vendor lease agreement. The lease qualifies as capital lease for accounting purposes and is recorded at the present value of the future lease payments, The capital asset acquired was recorded at a cost of $385,193 with accumulated depreciation of $37,277, and a net book value of $345,916 at the end of this reporting period.

At the same time, the City sold forty golf carts that had been financed with a Certificate of Participation through the State of Washington Treasurer's Office. The City's outstanding obligation at the time was $79,210 including accrued interest. It would have matured on June 1, 2018. The debt was defeased through a placement of funds into escrow and paid off by the end of 2017. The escrow amount and obligation were removed from the Statement of Net Position. No gain or loss was recognized due to immateriality.

The terms and outstanding payments are as follows:

OUTSTANDING CAPITAL LEASE

Purpose	Interest Rate	Amount
Golf carts	2.390%	$344,045

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR CAPITAL LEASE

Year Ending December 31	Principal	Interest
2018	65,830	6,885
2019	73,477	5,848
2020	75,253	4,072
2021	77,071	2,254
2022	52,414	471
TOTAL	344,045	19,530

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If the above tables list fewer than five individual years, then the debt issue is paid off in fewer than five years.

Other long-term debt and other liability activity for the year ended December 31 was as follows:

The vast majority of the City's internal service fund serves governmental funds. Accordingly, liabilities for the Equipment Rental and Reserve fund are included as part of the totals for governmental-type activities in the government-wide statements. At the end of the year, the compensated leave balance in this fund is $42,083 and is reported in Governmental Activities. Total interest expense incurrent in the current reporting year for long-term debt, other than internal loans, was $210,954.

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Bonds and Notes Payable					
General Obligation Bonds	$445,000	-	($220,000)	$225,000	$225,000
Capital Lease Obligations	$3,675,131	-	($489,484)	$3,185,647	$506,991
	$4,120,131	-	($709,484)	$3,410,647	$731,991
Plus Premiums / Less Discounts	$392,698	-	($73,835)	$318,863	
Less Deferred Loss on Refundings	($20,202)	-	$10,101	($10,101)	
Total Bonds and Notes Payable	$4,492,627	-	(773,218)	$3,719,409	$731,991
Other Liabilities					
Compensated Leave	$1,390,660	-	(18,552)	$1,372,108	$823,311
Pension Liability *	$5,554,832	-	(1,152,571)	$4,402,261	
Post-Employment Benefit Obligation	$2,631,156	$391,618	-	$3,022,774	
GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	**$14,069,275**	**$391,618**	**($1,944,341)**	**$12,516,552**	**$1,555,302**

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Bonds and Notes Payable					
General Obligation Bonds (Golf Course Fund)	$2,395,000	-	($230,000)	$2,165,000	$235,000
COP**-Capital Lease Obligations (Golf Course)	$129,742	-	($129,742)	-	-
Other Capital Lease Obligations	-	385,193	($41,148)	$344,045	$65,830
Public Works Trust Fund Loans (Utilities Fund)	$89,459		($44,729)	$44,730	$44,730
	$2,614,201	385,193	($445,619)	$2,553,775	$345,560
Plus Premiums	$75,105	-	($11,338)	$63,767	
Less Deferred Loss on Refundings	($57,340)	-	$6,950	($50,390)	
Total Bonds and Notes Payable	$2,631,966	385,193	($450,007)	$2,567,152	$345,560
Other Liabilities					
Compensated Leave	$259,469	23,363	-	$282,832	$169,642
Pension Liability *	$2,553,228	-	(538,198)	$2,015,030	
BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	**$5,444,663**	**408,556**	**($988,205)**	**$4,865,014**	**$515,202**

* See also separate note for pension-related liabilities

** Certificate of Participation

NOTE 7 – JOINT VENTURE

Animal Control Commission

The City holds an ongoing equity interest in the local Animal Control Commission along with the City of Olympia, City of Lacey, and Thurston County. The agreement between the parties defines the equity interest based on the percentage of contributions made by all entities. The City of Tumwater holds a 7.41% interest as of December 31, which is reported as a restricted investment of $252,382 in a Joint Venture on the Statement of Net Position.. The financial statements for the Commission are included in the annual financial report of the City of Lacey, 420 College Street S.E., Lacey, Washington 98503.

Law Enforcement Records Management System (LERMS)

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

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, the City of Tumwater owns a 14% share, or $9,423, of the equity. The City of Tumwater reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position.

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

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

NOTE 8 – TRANSPORTATION BENEFIT DISTRICT

The Tumwater Transportation Benefit District (TTBD), as described in Note 1, has completed its second full year of operations. The condensed financial information is as follows:

ASSETS AND LIABILITIES		
Cash and Cash Equivalents	$	357,508
Taxes Receivable		272,713
Vouchers Payable		-
Deferred Inflows - Taxes		(150,077)
Unrestricted Fund Balance and Net Position		480,144
REVENUES AND EXPENDITURES		
Sales Taxes		1,527,623
Intergovernmental Contract		(2,190,971)
Change in Fund Balance and Net Position		(663,348)
Beginning Fund Balance and Net Position		1,143,492
Ending Fund Balance and Net Position		480,144

The TTBD is a legally separate entity that is reported as a non-major and blended component unit in these financial statements. The TTBD also issues stand-alone financial statements that can be found on the City's web site.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in #9 (below), the City of Tumwater provides post-employment health care benefits; in accordance with Title 41 RCW to 15 LEOFF Plan 1 retirees that meet those eligibility requirements. There are no active LEOFF Plan 1 employees. The City reimburses 100% of the amount of validated claims for medical and hospitalization costs incurred by LEOFF Plan 1 employees. The City also reimburses each Medicare eligible retirees for the cost of a Medicare supplement (Part B). That cost varies for each retiree and ranges from $105 to $134 per month. Employer contributions are financed on pay-as-you-go basis. Expenditures for post-employment health care benefits are recognized as retirees report claims. During the year, expenditures of $135,064 were recognized for LEOFF Plan 1 retired employees.

The City has purchased long-term care insurance coverage for all LEOFF Plan 1 members to offset the costs that would be paid by the City if incurred.

Annual OPEB Cost and Net OPEB Obligation

The City used the alternative measurement method permitted under GASB Statement No. 45. Retirement, disablement, termination and mortality assumptions can be found in the 2014 Other Postemployment Benefits Actuarial Valuation Report [leg.wa.gov/osa/otheractuarialservices/-Documents/2015_OPEB_AVR.pdf] by the Office of the State Actuary (OSA). The methods and assumptions used are on line with the LEOFF 1 Medical reports issued by OSA, unless otherwise noted. Healthcare costs and trends were determined by Milliman and used by the OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with two active and two inactive groupings. These assumptions used were deemed reasonable for the purpose of this valuation.

The Annual Required Contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a closed period of 30 years using a level percentage payroll. The following table shows the components of the City's annual OPEB cost for the year and the amount actually contributed to the plan. The net OPEB obligation of $3,022,774 is included as a non-current liability in the Statement of Net Position. The City's percentage of annual OPEB cost contributed to the plan for 2017 is 25.64%.

	2015	2016	2017
Annual Required Contribution (ARC)	$ 700,414	$ 674,584	$ 658,085
Interst on Prior Year's Net Obligation *	70,880	90,249	105,246
Net Obligation Amortization	(159,376)	(202,927)	(236,649)
Annual OPEB Cost	611,918	561,906	526,682
Less: City Contribution	(127,701)	(186,973)	(135,064)
Addition to Net Obligation	484,217	374,933	391,618
Plus: Cumulative Net Obligation Prior Year	1,772,006	2,256,223	2,631,156
Net Obligation - Year-end	$2,256,223	$2,631,156	$3,022,774

*Average annual interest estimate = 4%

As of December 31, 2017, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $7,316,843 and the actuarial value of the assets was $0 resulting in an Unfunded Actuarial Accrued Liability of same amount.

New reporting rules under GASB Statements No. 74 and 75 go into effect in future reporting periods. The changes will be similar to GASB Statement 68, where net pension assets or liabilities, and associated deferrals and costs have to be shown on the face of the financial statements supplemented by extensive footnote disclosures and required supplementary information. The new rules begin to shift the cost presentation responsibility and cost allocation to employers. The likely intent is to encourage and obligate employers to fully fund the estimated net liability instead of paying the current year expenditures as they arise, called pay-as-you-go.

<u>OPEB Plan for Employees other than LEOFF Plan 1</u>

The City is a Participating Employer in the Northwest Fire Fighter's Trust ("Trust"), a cost-sharing multiple-employer health and welfare benefit plan administered by DiMartino Associates and Benefit Solutions, Inc. The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VIII of the Trust document, the Trustees shall have full and exclusive authority to control and administer the Trust Fund and the employee welfare benefit plans which they create, including amendments that expand, restrict, or terminate all or part of the rules relating to eligibility benefits, or to the amount and nature of such benefits, as they may determine. The Trust engages an independent qualified public accountant to conduct an annual financial examination of the Trust Fund and to prepare the Annual Report. That report, along with a copy of the Trust document, may be obtained by contacting the Trust consultants, DiMartino Associates, at 1501 Fourth Avenue, Suite 2400, Seattle, WA 98101, or by calling 1-800-488-8277.

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 the following monthly amounts:

<u>NWFFT Medical Coverage Premiums</u>

- $701.26 for non-Medicare enrolled retiree-only coverage,

- $831.32 for non-Medicare enrolled spouse coverage,
- $525.15 for Medicare-enrolled retiree coverage,
- $525.15 for Medicare enrolled spouse coverage.

Participating Employers are not contractually required to contribute at a rate assessed each year by the Trust for the non-LEOFF Plan 1 retirees. The retirees pay 100% of the premium.

NOTE 10 – GOVERNMENTAL DEFINED BENEFIT PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	$6,417,291
Pension assets	$(3,430,459)
Deferred outflows of resources	$1,336,715
Deferred inflows of resources	$(1,955,452)
Pension expense	$(711,917)

State Sponsored Pension Plans

Substantially all City of Tumwater full-time and qualifying part-time employees participate in one of the statewide retirement systems described in the following paragraphs. All are 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) Plans 1, 2, and 3

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2017	11.18%	6.00%
July through December 2017	12.70%	6.00%

The city's actual contributions to the plan were $442,377 for the year ended December 31, 2017.

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2017	11.18%	6.12%
July through December 2017	12.70%	7.38%
Employee PERS Plan 3		varies

* For employees participating in JBM, the employer contribution rate was 15.20%

The city's actual contributions to the plan were $616,096 for the year ended December 31, 2017.

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

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system established in 1970 by the Legislature comprised of two separate defined benefit plans. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians.

LEOFF Plan 1 provides retirement, disability and death benefits and members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) is as follows:

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. 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. The plan was closed to new entrants on September 30, 1977.

Contributions

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

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

Contributions

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. Starting on July 1, 2000, employers and employees contribute zero percent, as long as the plan remains fully funded. 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. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2017	5.23%	8.41%
July through December 2017	5.43%	8.75%

The City of Tumwater's actual contributions to the plan were $365,692 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed $62,155,262 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefi t payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation

- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.5%

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

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

- For all plans, except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected..

- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.

- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

Discount Rate

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.
The CMAs contain three pieces of information for each class of assets WSIB currently invest in: 1) expected annual return; 2) standad deviation of the annual return and 3) correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various futute times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$4,025,768	$3,304,710	$2,680,119
PERS 2/3	$8,385,619	$3,112,581	$(1,207,891)
LEOFF 1	$ (266,657)	$ (359,490)	$ (439,212)
LEOFF 2	$654,553	$(3,070,969)	$(6,114,516)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the city reported a total pension liability of $6,417,291 and total pension assets of $3,430,459 for its proportionate share of the net pension liabilities as follows:

	Asset	Liability
PERS 1	-	$ 3,304,710
PERS 2/3	-	$ 3,112,581
LEOFF 1	$ (359,490)	-
LEOFF 2	$(3,070,969)	-
TOTAL	$(3,430,459)	$6,417,291

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

	Liability (or Asset)
LEOFF 2 – employer's proportionate share	($3,070,969)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	($1,992,080)
TOTAL	($5,063,049)

At June 30, the city's proportionate share of the collective net pension liabilities was as follows :

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.068940%	0.069645%	0.000705%
PERS 2/3	0.087502%	0.089583%	0.002081%
LEOFF 1	0.023362%	0.023694%	0.000332%
LEOFF 2	0.219259%	0.221303%	0.002044%

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

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.345464 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.654536 percent of employer contributions.
The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017 the city recognized pension expense as follows:

Pension	Expense
PERS 1	($203,383)
PERS 2/3	($199,789)
LEOFF 1	($60,924)
LEOFF 2	($247,821)
TOTAL	**($711,917)**

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments		($123,322)
Contributions subsequent to the measurement date	$226,474	-
TOTAL	$226,474	($123,322))

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$315,378	($102,367)
Net difference between projected and actual investment earnings on pension plan investments		($829,739)
Changes of assumptions	$33,062	-
Changes in proportion and differences between contributions and proportionate share of contributions	$76,594	($44,557)
Contributions subsequent to the measurement date	$334,110	-
TOTAL	$759,144	($976,663)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments		($33,405)
TOTAL		($33,405)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$134,975	($116,456)
Net difference between projected and actual investment earnings on pension plan investments		($689,454)
Changes of assumptions	$3,698	-
Changes in proportion and differences between contributions and proportionate share of contributions	$17,970	($16,152)
Contributions subsequent to the measurement date	$194,454	-
TOTAL	$351,097	($822,062)
TOTAL DEFERRED OUTFLOW (INFLOW)	$1,336,715	($1,955,452)

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

Year ended December 31:	PERS 1
2018	($83,357)
2019	$26,317
2020	($6,111)
2021	($60,171)
2022	-
Thereafter	-
Total	**($123,322)**

Year ended December 31:	PERS 2/3
2018	($338,703)
2019	$80,207
2020	($64,028)
2021	($321,566)
2022	$40,200
Thereafter	$52,260
Total	**($551,630)**

Year ended December 31:	LEOFF 1
2018	($20,964)
2019	$5,654
2020	($2,258)
2021	($15,837)
2022	-
Thereafter	-
Total	**($33,405)**

Year ended December 31:	LEOFF 2
2018	($314,856)
2019	$73,611
2020	($45,442)
2021	($301,373)
2022	($13,814)
Thereafter	($63,545)
Total	**($665,419)**

Allocation of Pension Amounts to Funds and Activities

The City's proportionate share of each plan's pension liability, pension asset, deferred outflows/inflows and pension expense are allocated to governmental and business-type activity and individual funds based on their proportionate share of actual employer contributions. For governmental activities pension expense is further allocated to each function based on the same methodology.

NOTE 11 - NON-GOVERNMENTAL MULTI-EMPLOYER DEFINED BENEFIT PENSION PLAN

Under terms of a collective bargaining agreement (the agreement) between the City and the International Brotherhood of Chauffeurs, Teamsters and Helpers Local Union No. 252 (the Union), the City is required to make employer contributions to the Western Conference of Teamsters Pension Trust Fund (the Pension Trust) based on an agreed upon amount per hour for which compensation is paid. The Pension Trust is the manager of a cost-sharing multi-employer defined-benefit pension plan where funds from more than one employer are pooled and pension assets are held to pay benefits to participating and eligible employees. The Pension Trust does not issue publicly available financial reports.

The agreement stays in force until the end of the current bargaining period of December 31, 2017, unless either party to the agreement requests to re-open the agreement before the end of its term. Neither party to the agreement has made such a request.

During the current reporting period the City paid the Pension Trust a rate of $2.00 per eligible compensated hour with that hourly contribution increasing to $2.10 per eligible compensated hour in 2018. The total required employer contribution and pension expense in the current reporting period was $122,419. This includes the contribution for the last annual pay period, which was paid by January 10th of the following year in the normal course of business and is included with payables at the end of the reporting period. That amount was $9,938. All required contributions were paid timely.

Eligible pension participants are union members who are permanent full-time and regularly scheduled part-time employees of the City's Operations Division of Public Works and/or of the Fleet Maintenance Program maintenance shop, and the Meter Reader. Supervisors are not included. At the end of this reporting period, thirty employees were eligible pension participants.

Once a participant has vested and has earned twenty service years, he or she may retire with normal retirement benefits between ages 65 and 70.

The normal retirement monthly benefits for retirees are calculated as a percentage of employer contributions made, where the percentage is specific to each service year. The percentage for each service year can be different and ranges from 1.20% for years 2009 through 2013 and 3.58% for years 2000 through 2002. Each year's percentage is multiplied by that year's employer contribution and added to arrive at the monthly benefit. Early and late retirement benefits are also available, as well as death, survivor and disability benefits, a description of which can be found at www.wctpension.org.

The Pension Trust trustees are authorized to define the pension trust plan benefits, as well as the condition of eligibility for benefits, and terms of payment. They are also authorized to adjust plan benefits based on financial experience of the plan, and are required to take such action when a material funding gain or loss for two consecutive years has occurred. In no event may any adjustment reduce or remove any benefits protected by law.

NOTE 12 – LEASES

The City leases two electric vehicles and five copiers under non-cancellable operating leases. Total cost for these leases was $13,244 for the end of the current reporting period. The future minimum lease payments are as follows:

Year Ended December 31	Amount
2018	$ 14,476
2019	$ 13,639
2020	$ 12,467
2021	$ 12,467
2022	$ 7,106
2023	$ 335
Total	$ 60,490

NOTE 13 – CONTINGENCIES AND LITIGATION

As of December 31, a number of claims were pending against the City for damages and legal actions with either monetary claims or issues that could affect the City financially. While the outcome of these actions is uncertain, no losses are clearly anticipated at this time. Any potential adverse judgments against the City would be subject to coverage under the City's comprehensive liability insurance, which includes public official's errors and omissions insurance.

NOTE 14 – RISK MANAGEMENT

Liability and Physical Damage

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

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 161 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer; and, $21 million in limits above the self-insured layer is provided by reinsurance. Total limits are $25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that to $300 million per occurrence subject to sublimits and aggregates. 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, reinsuance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall. There are no liability losses which exceeded insurance coverage for the City of Tumwater 1/1/2009 to 12/31/2017.

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.

Health & Welfare

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

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

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

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

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

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

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

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

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

Required Supplementary Information

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City of Tumwater
Notes to Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund

The schedules of revenues, expenditures, and change in fund balances – budget to actual - are presented on a budgetary basis which is substantially the same as the modified accrual basis. The City's budget cycle is a biennium, always starting with an uneven year. In the first year of a budget cycle the budget to actual comparison compares one year financial actual information to a two-year budget. In the second year of the budget cycle the budget to actual comparison compares two years of financial actual information to a two-year budget.

CITY OF TUMWATER, WA

GENERAL FUND - Budget and Actual
Schedule of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2017
For the *Biennium* Ended December 31, 2018

	2017-2018 BUDGET		2017-2018
	ORIGINAL	AMENDED	ACTUAL
REVENUES			
Taxes	$ 41,702,850	$ 41,702,850	$ 21,578,893
Licenses & Permits	2,133,100	2,133,100	1,355,326
Intergovernmental	7,184,573	7,300,213	3,579,013
Charges for Services	3,358,722	3,403,722	1,915,070
Fines & Forfeitures	393,600	393,600	116,792
Miscellaneous	418,000	373,000	240,591
TOTAL REVENUES	**$ 55,190,845**	**$ 55,306,485**	**$ 28,785,685**
EXPENDITURES			
Current:			
General Government	$ 11,242,303	$ 11,406,303	$ 5,323,438
Public Safety - Police	13,458,711	13,458,711	5,987,629
Public Safety - Fire	13,992,931	13,992,931	6,915,521
Public Works	7,903,916	7,903,916	4,354,275
Economic Environment	3,483,672	3,483,672	1,757,132
Culture & History	20,000	20,000	1,035
Parks & Recreation	5,880,282	5,880,282	1,972,567
Capital Outlay:			
General Government	210,000	210,000	36,806
Public Safety - Police	20,000	20,000	-
Public Safety - Fire	37,000	37,000	-
Public Works	151,175	151,175	55,279
Economic Environment	-	-	700,000
Parks & Recreations	12,000	12,000	-
TOTAL EXPENDITURES	**$ 56,411,990**	**$ 56,575,990**	**$ 27,103,682**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$ (1,221,145)**	**$ (1,269,505)**	**$ 1,682,003**
OTHER FINANCING SOURCES (USES)			
Transfers In	$ 2,822,374	$ 2,822,374	$ 50,000
Transfers Out	$ (5,816,834)	$ (5,892,805)	$ (1,946,187)
TOTAL OTHER FINANCING SOURCES (U	**$ (2,994,460)**	**$ (3,070,431)**	**$ (1,896,187)**
NET CHANGE IN FUND BALANCES	**$ (4,215,605)**	**$ (4,339,936)**	**$ (214,184)**
PLUS: FUND BALANCES - BEGINNING	$ 10,190,013	$ 11,564,958	$ 12,814,958
FUND BALANCES - ENDING	**$ 5,974,408**	**$ 7,225,022**	**$ 12,600,774**

CITY OF TUMWATER, WA

DEVELOPMENT FEES Special Revenue Fund - Budget and Actual

Schedule of Revenues, Expenditures, and Changes in Fund Balance

December 31, 2017

For the *Biennium* Ended December 31, 2018

	2017-2018 BUDGET				2017-2018
	ORIGINAL		AMENDED		ACTUAL
REVENUES					
Charges for Services	$ 2,256,000	$	2,256,000	$	2,128,885
Miscellaneous	67,800		67,800		83,805
TOTAL REVENUES	**$ 2,323,800**	**$**	**2,323,800**	**$**	**2,212,690**
EXPENDITURES					
Current:					
General Government	$ -	$	-	$	-
Physical Environment	-		-		-
Transportation	-		-		-
Culture & Recreation	-		-		-
Capital Outlay	-		-		-
TOTAL EXPENDITURES	**$ -**	**$**	**-**	**$**	**-**
EXCESS (DEFICIENCY) OF REVENUES OVER	**$ 2,323,800**	**$**	**2,323,800**	**$**	**2,212,690**
OTHER FINANCING SOURCES (USES)					
Interfund Loan	$ (2,900,000)	$	(2,900,000)	$	(1,980,000)*
Interfund Loan Repayment	$ 1,000,000		1,000,000	$	-
Transfers Out	$ (2,263,500)	$	(2,343,500)	$	(817,801)
TOTAL OTHER FINANCING SOURCES (USES)	**$ (4,163,500)**	**$**	**(4,243,500)**	**$**	**(2,797,801)**
NET CHANGE IN FUND BALANCES	**$ (1,839,700)**	**$**	**(1,919,700)**	**$**	**(585,111)**
PLUS: FUND BALANCES - BEGINNING	$ 5,619,420	$	5,850,623	$	5,850,623
FUND BALANCES - ENDING*	**$ 3,779,720**	**$**	**3,930,923**	**$**	**5,265,512**

* The other financing use of $1,980,000 is reported as an increase in Due From Other Funds on the Balance Sheet-Governmental Funds and not as a Other Financing Use on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds, which increases the Ending Fund Balance on both of these Statements by $1,980,000 as compared to the above comparison. This is in addition to a similar transaction of $2,000,000 in 2016. The above presentation is deemed representative of the budgeted fund balance.

Under GASB Statement 68, the City's cost-sharing multi-employer plans are the Public Employees' Retirement System Plan (PERS) 1 and 2/3, and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 and 2 (LEOFF 1 and 2). As required by GASB 68, a 10-year Schedule of Proportionate Share of Net Pension Liability as of the plans' measurement date, and a 10-year schedule of Employer Contributions for each plan are enclosed for the City's most recent fiscal year. The ten-year information will be completed as each future year's information is available.

City of Tumwater, Washington
Schedule of Proportionate Share of Net Pension (Asset) / Liability - PERS 1
As of June 30

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City's Proportion of the Net Pension (Asset) Liability	0.069645%	0.068940%	0.071213%							
City's Proportionate share of the Net Pension (Asset) Liability	$3,304,710	$3,702,403	$3,725,102							
City's Covered Employee Payroll	$8,808,032	$8,213,908	$8,057,510							
City's Proportionate Share of the Net Pension (Asset) / Liability as a Percentage of Covered payroll	37.52%	45.07%	46.23%							
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset) / Liability	61.24%	57.03%	59.10%							

The city employed only one employee in 2014 and 2015, who participated in PERS 1.

City of Tumwater, Washington

Schedule of Proportionate Share of Net Pension (Asset) / Liability - PERS 2/3

As of June 30

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City's Proportion of the Net Pension (Asset) Liability	0.089583%	0.087502%	0.089556%							
City's Proportionate share of the Net Pension (Asset) Liability	$3,112,581	$4,405,657	$3,199,887							
City's Covered Employee Payroll	$8,808,032	$8,183,756	$7,962,921							
City's Proportionate Share of the Net Pension (Asset) / Liability as a Percentage of Covered payroll	35.38%	53.83%	40.18%							
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset) / Liability	90.97%	85.82%	89.20%							

City of Tumwater, Washington

Schedule of Proportionate Share of Net Pension (Asset) / Liability - LEOFF 1

As of June 30

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City's Proportion of the Net Pension (Asset) Liability	0.023694%	0.023362%	0.023112%							
City's Proportionate share of the Net Pension (Asset) Liability	($359,490)	($240,695)	($278,551)							
City's Covered Employee Payroll	N/A	N/A	N/A							
City's Proportionate Share of the Net Pension (Asset) / Liability as a Percentage of Covered payroll	N/A	N/A	N/A							
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset) / Liability	135.96%	123.74%	127.36%							

City of Tumwater, Washington

Schedule of Proportionate Share of Net Pension (Asset) / Liability - LEOFF 2

As of June 30

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
City's Proportion of the Net Pension (Asset) Liability	0.221303%	0.219259%	0.219777%							
City's Proportionate share of the Net Pension (Asset) Liability	($3,070,969)	($1,275,276)	($2,258,868)							
City's Covered Employee Payroll	$6,924,804	$6,662,892	$6,393,832							
City's Proportionate Share of the Net Pension (Asset) / Liability as a Percentage of Covered payroll	-44.35%	-19.14%	-35.33%							
Plan Fiduciary Net Position as a Percentage of Total Pension (Asset) / Liability	113.36%	106.04%	111.67%							

City of Tumwater, Washington

Schedule of Employer Contributions - PERS 1

For the fiscal year ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	$442,377	$402,436	$361,833							
Contributions in Relation to the Contractually Required Contributions	$442,377	$402,436	$361,833							
Contribution Deficiency (Excess)	-	-	-							
City's Covered Employee Payroll	$9,047,264	$8,436,789	$8,156,576							
Contributions as a Percent of Covered Employee Payroll	4.89%	4.77%	4.44%							

City of Tumwater, Washington

Schedule of Employer Contributions - PERS 2/3

For the fiscal year ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	$616,096	$525,612	$454,667							
Contributions in Relation to the Contractually Required Contributions	$616,096	$525,612	$454,667							
Contribution Deficiency (Excess)	-	-	-							
City's Covered Employee Payroll	$9,047,264	$8,436,789	$8,078,735							
Contributions as a Percent of Covered Employee Payroll	6.81%	6.23%	5.63%							

City of Tumwater, Washington

Schedule of Employer Contributions - LEOFF 2

For the fiscal year ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contributions	$365,692	$347,734	$326,890							
Contributions in Relation to the Contractually Required Contributions	$365,692	$347,734	$326,890							
Contribution Deficiency (Excess)	-	-	-							
City's Covered Employee Payroll	$7,106,558	$6,885,787	$6,473,064							
Contributions as a Percent of Covered Employee Payroll	5.15%	5.05%	5.05%							

City of Tumwater
Notes to Required Supplementary Information – Other Post-Employment Benefits (OPEB)

As permitted under GASB Statement 45, the City of Tumwater used the alternative measurement method utilizing the Office of the State Actuary's liability calculation tool. Refer to NOTE 4 – DETAILED NOTES RELATING TO ALL FUNDS, 8 – Other Post-Employment Benefits (OPEB) of the Financial Statements for details.

City of Tumwater
Schedule of Funding Progress
Law Enforcement and Fire Fighters Retirement System (LEOFF), Post-employment Benefits Other Than Pensions
For the Year Ended December 31, 2017

	Actuarial					
	Value of Asset	**Accrued Liability**	**UAAL***	**Funded Ratio**	**Covered Payroll**	**UAAL* as a % of covered payroll**
2017	-	3,022,774	3,022,774	0%	n/a	n/a
2016	-	2,631,156	2,631,156	0%	n/a	n/a
2015	-	2,256,223	2,256,223	0%	n/a	n/a
2014	-	1,772,006	1,772,006	0%	n/a	n/a
2013	-	1,413,039	1,413,039	0%	n/a	n/a
2012	-	1,103,621	1,103,621	0%	n/a	n/a
2011	-	984,403	984,403	0%	n/a	n/a
2010	-	806,500	806,500	0%	n/a	n/a
2009	-	570,865	570,865	0%	n/a	n/a
2008	-	279,264	279,264	0%	n/a	n/a

*Unfunded Actuarial Accrued Liability

City of Tumwater
Notes to Required Supplementary Information – Non-Governmental Multi-Employer Defined Benefit Pension Plan

The City makes contributions under terms of a collective bargaining agreement between the City and the International Brotherhood of Chauffeurs, Teamsters and Helpers Local Union No. 252. Certain employees of the City's Operations Division of Public Works, the Fleet Maintenance Program, and the Meter Reader were eligible during the current reporting period. As required by GASB 78, a 10-year schedule of required contributions is shown. The number of covered employees and eligible work hours has been consistent over the past years.

City of Tumwater, Washington
Schedule of Employer Required Contributions - International Brotherhood of Chauffeurs, Teamsters and Helpers Union No. 252
For the fiscal year ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Required contributions	$122,419	$104,005	This table to be progressively completed with a 10-year history							