



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

### City of Redmond

King County

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

Published August 29, 2016

Report No. 1017176





## Washington State Auditor's Office

August 29, 2016

Mayor and City Council  
City of Redmond  
Redmond, Washington

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

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**City of Redmond**  
**King County**  
**January 1, 2015 through December 31, 2015**

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

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

#### Financial Statements

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

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

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

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

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

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

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

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

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

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

None reported.

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

None reported.

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

**City of Redmond  
King County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Redmond  
Redmond, 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 Redmond, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2016. As discussed in Note 17 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

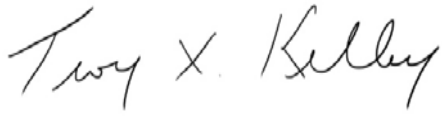
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

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

## **PURPOSE OF THIS REPORT**

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

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

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TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 17, 2016



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

**City of Redmond  
King County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Redmond  
Redmond, Washington

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

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

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

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

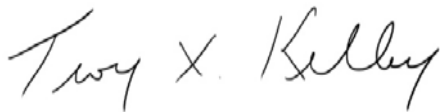
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

### **Purpose of this Report**

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

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

July 18, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **City of Redmond King County January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of Redmond  
Redmond, 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 Redmond, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

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

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

### **Auditor's Responsibility**

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

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

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

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

## **Opinion**

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

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

As discussed in Note 19 of the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

## **Matters of Emphasis – Implementation of New Standards**

As discussed in Note 17 of the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 28, budgetary comparison information on page 84, pension plan information on pages 85 through 94, pension trust fund

information on pages 95 through 97 and information on postemployment benefits other than pensions on page 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

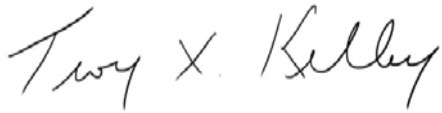
### ***Supplementary and Other Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not

to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 17, 2016

## **FINANCIAL SECTION**

### **City of Redmond King County January 1, 2015 through December 31, 2015**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

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

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

Statement of Net Position – Proprietary Funds – 2015

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

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Net Position – Fiduciary Funds – 2015

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

Notes to Financial Statements – 2015

#### **REQUIRED SUPPLEMENTARY INFORMATION**

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

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS 2, 3 – 2015

Schedule of Proportionate Share of the Net Pension Liability – PSERS – 2015

Schedule of Proportionate Share of the Net Pension Liability – LEOFF 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability – LEOFF 2 – 2015

Schedule of Employer Contributions – PERS 1 – 2015

Schedule of Employer Contributions – PERS 2, 3 – 2015

Schedule of Employer Contributions – PSERS – 2015

Schedule of Employer Contributions – LEOFF 1 – 2015



Schedule of Employer Contributions – LEOFF 2 – 2015  
Schedule of Changes in Net Pension Liability – Firefighter’s Pension Plan – 2015  
Schedule of Contributions – Firefighter’s Pension Plan – 2015  
Schedule of Investment Returns – Firefighter’s Pension Plan – 2015  
Schedule of Funding Progress – LEOFF 1 Medical Benefits – 2015

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015  
Notes to the Schedule of Expenditures of Federal Awards – 2015

## Management's Discussion And Analysis

The management discussion and analysis section of the City of Redmond's Comprehensive Annual Financial Report provides an overview of the City's financial activities for the year ending December 31, 2015, and resulting changes in the financial position as of December 31, 2015. For a better understanding of Redmond's finances for the previous year, readers should consider this information in conjunction with the preceding letter of transmittal, the financial statements and notes to the financial statements that follow.

### Financial Highlights

In 2015, the City held a steady course focusing on the vision of two vibrant urban centers by continuing work in the downtown corridor, planning for future development in the Overlake area and connecting established neighborhoods. As shown below, the City continues its legacy of prudent financial management.

- The assets and deferred outflows of resources of the City of Redmond exceeded its liabilities at fiscal year-end by \$783.9 million (net position), an increase of \$36.9 million or 4.9% over 2014. Of this amount, unrestricted net position totals \$93.0 million and may be used to meet the city's ongoing obligations to citizens and creditors. Restricted net position totals \$51.9 million and is earmarked for debt service, capital projects and special revenue funds.
- At December 31, 2015, the City's governmental activities reported combined ending net position of \$405.4 million, an increase of \$23.5 million over 2014. Approximately 6.9% of this amount (\$27.9 million) is available for spending at the City's discretion (*unrestricted net position*).
- The City of Redmond's total outstanding long-term debt increased by \$27.4 million during the fiscal year. This is primarily due to the implementation of GASB Statement No. 68 Accounting and Reporting for Pensions (\$27.0 million), issuance of public works trust fund bonds of \$4.4 million, an increase in compensated absences and other post-employment benefits of \$1.0 million, and a reduction of \$4.6 million due to principal payments and amortization of premiums. See notes 11 and 17 to the financial statements for more information.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Redmond's basic financial statements, which are comprised of three components: 1) government wide financial statements, 2) fund financial statements and 3) notes to the financial statements. Other supplementary information, intended to furnish additional detail to support the basic financial statements, is also contained in the report.

### Government-wide Financial Statements

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

The **Statement of Net Position** presents financial information on all of the City of Redmond's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Redmond is improving or deteriorating.

The **Statement of Activities** presents information designed to show how the City's net position changed during the year. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are

incurred, regardless of when cash is received or disbursed. Items such as (but not limited to) uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

Both the government-wide financial statements distinguish functions of the City of Redmond that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Redmond include general government (finance, executive and human resources), security (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to water/wastewater and stormwater utilities. Governmental activities are primarily supported by taxes, charges for services, and grants. Business-type activities are primarily self-supporting through user fees and charges.

## **Fund Financial Statements**

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Redmond, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. These reports use a different "basis of accounting" than that used in government-wide financial statements. The governmental fund statements focus on near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The City of Redmond maintains fourteen individual governmental funds. The City's two major governmental funds – the general fund and the capital investments program fund – are presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The remaining governmental funds are combined in this statement into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in combining statements later in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level for all funds in accordance with state law. All budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

Following is a brief analysis of each of the City's major governmental funds:

The General Fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2015, the fund balance of the General Fund was \$37.2 million, which represents an increase from the prior year of \$2.4 million.

General Fund revenues increased by \$6.1 million (7.1%) in 2015. The key elements of this increase are as follows:

- Taxes increased by \$3.3 million including growth in property taxes by \$0.6 million due to a rise in new construction, refunds and the 1% levy increase allowed by law. Redmond also experienced growth in sales tax including a net increase of \$3.0 million due to the economic recovery as well as a one-time research and development tax exemption Department of Revenue audit reimbursement of \$1.4 million in December. Utility taxes also experienced positive growth (\$0.6 million) due to the imposition of a new cable utility tax (\$0.3 million) and a net increase of electrical utility taxes (\$0.3 million). These increases were offset by small losses in gas utility and cell phone taxes.
- Charges for services increased by \$9.5 million due to a change in the State of Washington BARS designation of certain emergency services revenue from the intergovernmental category to charges for services. Fire services to Fire District #34 and basic life support services paid for by King County make up \$8.3 million of the net change. Additionally, reimbursements for these two services increased by \$0.9 million due to increases in salary and benefits, overtime and emergency medical supply costs.
- Licenses and permits grew by \$0.8 million due to continuing recovery of the real estate market and increases in construction activity.
- These increases were partially offset by decreases in Intergovernmental revenues of \$7.5 million, primarily due to a decrease in grant revenue and the change in State of Washington BARS designations for some emergency services revenues from intergovernmental to charges for services as explained above.

General Fund expenditures increased \$4.9 million (6.1%) over 2014, due to an increase in General Government and Security of persons and property resulting from a residual adjustment to overtime paid per the Fair Labor Standards Act to accommodate the unique schedules used by firefighters (\$0.9 million). Additional increases included grant expenditures related to police personnel and crime analysis, jail costs, court fees, movement of contributions for fire vehicle replacement from the City's capital improvement program to the General Fund and increases in sick leave and retiree payouts due to retirements.

The Capital Investments Program Fund (CIP Fund) accounts for financial resources to be used for the acquisition, construction, and preservation of major capital facilities other than those financed by proprietary funds. At the end of 2015, the fund balance of the Capital Investments Program Fund was \$25.5 million, which represents a decrease from the prior year of \$8.3 million.

Capital Investment Program Fund revenues decreased by \$3.0 million (32.6%) in 2015, primarily due to grants.

Capital Investment Program Fund expenditures increased by \$7.0 million (49.0%) in 2015, due to projects such as Cleveland Streetscape improvements, completion of the Redmond Central Connector, the design of Downtown Park, the design of the one-way street conversion for Redmond Way, renovation of the Public Safety Building and construction of a roundabout on 116<sup>th</sup> Avenue.

Capital Investments Program Fund net transfers between other funds increased by \$1.3 million primarily due to additional transfers from the General Fund to support capital investment fund projects, some of which are mentioned above.

**Proprietary funds** are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Redmond has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens and the community. Internal service funds are used to account for goods and services provided internally to various City departments. The same basis of accounting is used for proprietary funds in both the government-wide statements and the individual fund statements.

Enterprise funds of the City are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's water/wastewater utility, an Urban Planned Development (UPD) water/wastewater utility outside the City limits, and the City's stormwater utility.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, insurance premiums and claims, medical self-insurance, worker's compensation self-insurance program, and information technology. Internal service fund activities are predominantly governmental and have been included in the governmental activities columns of the government-wide Statement of Net Position and Statement of Activities.

**Fiduciary funds** account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Redmond's activities.

The City has two types of fiduciary funds, a pension fund and agency funds. The accounting for the pension fund is on the accrual basis. Agency funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations. The City has one component unit presented among the agency funds in the fiduciary statements, the Redmond Community Facilities District, which was created in 2014 for the purpose of financing the construction of a pedestrian/bicycle bridge over SR 520 at the Overlake Transit Station. (See Note 13 – Component Units for additional information.)

## **Notes to the financial statements**

The notes to the financial statements provide additional information that is important for a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

## **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain **required supplementary information** concerning the City's progress in funding its obligation to provide pension benefits, and lifetime medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information may be found immediately following the notes to the financial statements.

The combining statements for other governmental funds, internal service funds, and agency-type fiduciary funds are presented immediately following the required supplementary information.

## **Government-wide Financial Analysis**

### **Statement of Net Position**

The Statement of Net Position can serve as a useful indicator of the City's financial position. The City of Redmond's net position at December 31, 2014 and 2015 total \$747.0 million and \$783.9 million, respectively. The City's overall net position increased \$36.9 million (4.9%) from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

By far, the largest portion of the City's net position (\$639.0 million; 81.5%) reflects investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources used to

repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (\$51.9 million; 6.6%) represents resources that are subject to external restrictions on how they may be used. The largest portion of these funds is restricted for capital projects (\$18.4 million), net pension asset (\$11.1 million), and police, fire and advance life support (\$8.8 million). The remaining balance of \$93.0 million (11.9%) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Following is a condensed version of the government-wide Statement of Net Position for 2015 compared to 2014.

### City of Redmond's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 104,691	\$ 105,562	\$ 86,755	\$ 83,431	\$ 191,446	\$ 188,993
Net pension asset	11,084	1,001	-	-	11,084	1,001
Capital assets, net of accumulated depreciation	395,396	357,292	336,859	318,357	732,255	675,649
Total assets	\$ 511,171	\$ 463,855	\$ 423,614	\$ 401,788	\$ 934,785	\$ 865,643
Deferred outflows:						
Debt refunding	2,323	1,443	-	-	2,323	1,443
Pensions	4,203	-	625	-	4,828	-
Total assets and deferred outflows	\$ 517,697	\$ 465,298	\$ 424,239	\$ 401,788	\$ 941,936	\$ 867,086
Long-term liabilities	\$ 71,669	\$ 73,621	\$ 36,889	\$ 34,581	\$ 108,558	\$ 108,202
Net pension liability	21,885	-	5,122	-	27,007	-
Other liabilities	12,268	9,762	2,876	2,082	15,144	11,844
Total liabilities	\$ 105,822	\$ 83,383	\$ 44,887	\$ 36,663	\$ 150,709	\$ 120,046
Deferred inflows - Pensions	6,514	-	783	-	7,297	-
Total liabilities and deferred inflows	\$ 112,336	\$ 83,383	\$ 45,670	\$ 36,663	\$ 158,006	\$ 120,046
Net investment in capital assets	\$ 334,538	\$ 292,662	\$ 304,494	\$ 287,209	\$ 639,032	\$ 579,871
Restricted	42,937	33,146	8,917	6,917	51,855	40,063
Unrestricted	27,885	56,106	65,158	70,999	93,043	127,105
Total net position	\$ 405,361	\$ 381,914	\$ 378,569	\$ 365,125	\$ 783,930	\$ 747,039

### Changes in net position

The change in net position table illustrates the increases or decreases in net position of the City resulting from its operating activities. Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses, and related changes in net position in tabular form for the governmental activities separate from the business-type activities for 2015 and 2014.

### City of Redmond's Changes in Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 39,907	\$ 38,181	\$ 54,544	\$ 51,590	\$ 94,451	\$ 89,771
Operating grants and contributions	1,898	1,718	2,671	5,678	4,569	7,396

Capital grants and contributions	3,913	4,147	8,433	8,442	12,346	12,589
General revenues:						
Property taxes	23,564	22,817	-	-	23,564	22,817
Sales taxes	25,385	22,131	-	-	25,385	22,131
Other taxes	23,171	19,397	-	-	23,171	19,397
Investment interest	765	835	434	400	1,199	1,235
Miscellaneous	4,880	2,059	279	197	5,159	2,256
Total revenues	\$ 123,483	\$ 111,285	\$ 66,361	\$ 66,307	\$ 189,844	\$ 177,592
Expenses:						
General government	\$ 21,021	\$ 16,852	\$ -	\$ -	\$ 21,021	\$ 16,852
Security	49,832	46,622	-	-	49,832	46,622
Physical environment	286	2,950	-	-	286	2,950
Economic environment	5,851	4,984	-	-	5,851	4,984
Transportation	13,339	12,645	-	-	13,339	12,645
Culture and recreation	12,358	12,754	-	-	12,358	12,754
Interest on long term debt	2,731	2,837	917	669	3,648	3,506
Water/Wastewater	-	-	32,592	31,032	32,592	31,032
UPD Water/Wastewater	-	-	5,900	5,982	5,900	5,982
Stormwater	-	-	7,989	7,581	7,989	7,581
Loss on disposal of assets	-	-	56	478	56	478
Total expenses	\$ 105,418	\$ 99,644	\$ 47,454	\$ 45,742	\$ 152,872	\$ 145,386
Increase/(Decrease) in net position	18,065	11,641	18,907	20,565	36,972	32,206
Net position - beginning	381,914	370,273	365,125	344,560	747,039	714,833
Prior period adjustments	22,209	-	-	-	22,209	-
Changes in accounting principles-GASB 68	(16,827)	-	(5,463)	-	(22,290)	-
Net position - ending	\$ 405,361	\$ 381,914	\$ 378,569	\$ 365,125	\$ 783,930	\$ 747,039

## Governmental activities

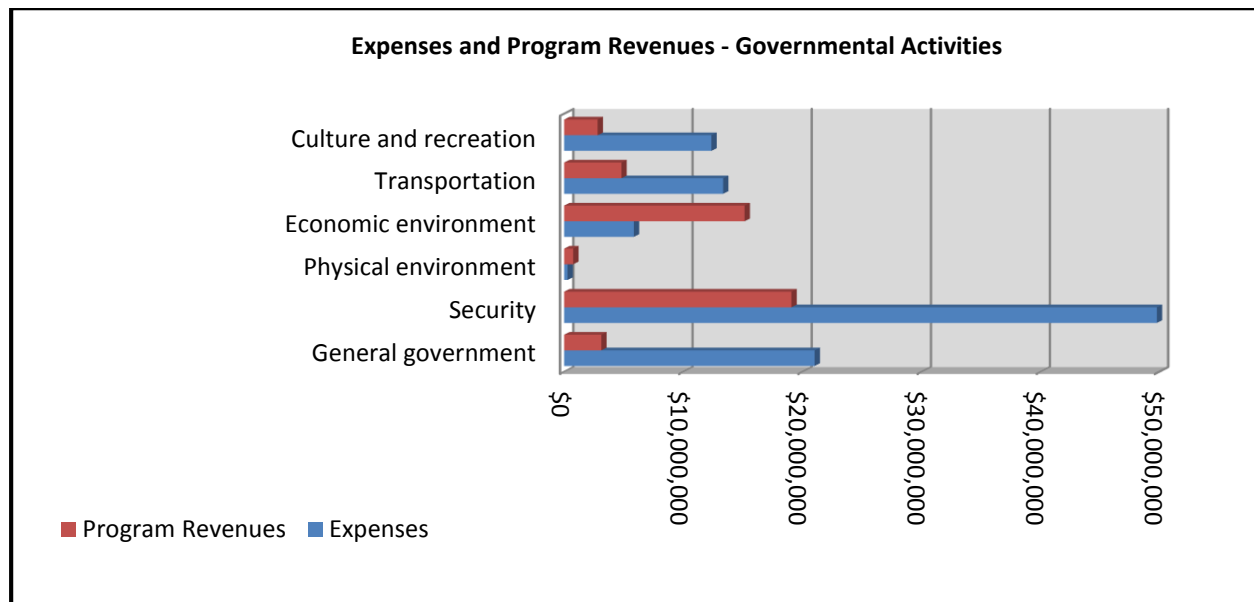
During the 2015 fiscal year, net position for governmental activities increased \$23.5 million (6.1%), compared to \$11.6 million (3.1%) in 2014. Key elements of the increase are as follows:

- Total assets and deferred outflows from Governmental activities increased by \$52.4 million (11.3%).
  - Cash and investments reflect a decrease of \$3.1 million from 2014 to 2015 (3.3%) while taxes receivable increased \$2.7 million (46.6%), and all other receivables, inventory and prepaid expenses decreased \$0.5 million (10.1%).
  - Investment in capital assets increased by \$38.1 million (10.7%). \$22.8 million of this increase is due to prior period adjustments for contributed land rights for 2010 – 2014 that were not previously reported. The remaining increase of \$15.3 million is consistent with the City's plans for investments in infrastructure and technology.
  - Net pension asset increased \$10.1 million due to implementation of GASB Statement No. 68 Accounting and Reporting for Pensions. See Note 17 – Accounting and Reporting Changes for additional information.
- Total liabilities and deferred inflows from Governmental activities increased by \$29.0 million (34.7%).
  - Debt decreased by \$2.0 million as a result of principal payments on debt previously held by the City. See Note 11 to the financial statements for more information.



- Net pension liability increased by \$21.9 million due to implementation of GASB Statement No. 68 Accounting and Reporting for Pensions. See Note 17 – Accounting and Reporting Changes for additional information.
- Other current liabilities increased by \$2.5 million, primarily due to accrual of employee wages payable.
- Total revenue increased between 2014 and 2015 by \$12.2 million or 11.0%.
  - Total tax revenues increased by \$7.8 million (12.1%) compared to 2014 due to larger growth in property taxes, sales taxes and excise taxes in 2015 as compared to 2014.
  - Program revenues increased by \$1.7 million due to increases in King County Emergency Medical Services funding for reimbursements to the City for salary, benefits and overtime reimbursement due to a fair labor standards act analysis as well as an increase in unit allocations for advanced life support services.
  - Total expenses increased by \$5.8 million, primarily due to increases in full-time equivalent employees to respond to the development surge and development agreements with business owners. Additional increases are attributable to capital construction to further the goals of the City's Capital Investment Strategy.

The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the impact of various city functions on net position from operations before taxes, for the governmental activities for 2015.



### General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis and in comparing the original budget to the final budget for 2015, several changes took place including:

- Recognizing the difference between budgeted and actual fund beginning fund balances for a total increase of \$36 million.
- Recognizing additional revenue and staffing to support the Sound Transit East Link Light Rail development agreement (\$0.8 million).
- Other miscellaneous adjustments for small grants.



Total actual revenues came in \$1.3 million (2%) over budget, including fund balances, due to various factors, including:

- Utility tax revenues accounted for most of the net change, coming in at \$1.2 million (12.6%) over budget. Utility taxes had been declining in previous years, but in 2015 the City experienced an increase largely attributable to higher electric utility taxes (\$1.0 million net increase).
- Other smaller increases occurred in state entitlements as well as intergovernmental revenue.

Total actual expenditures were \$6 million (7%) under budget in the General Fund due to:

- Of the \$6 million under expenditures, \$4.5 million occurred in the General government category including \$2.7 in the City's economic contingency used to ease unanticipated swings in the economy. The City also budgets a salary and benefit contingency every biennium to mitigate contract settlement agreements that are higher than anticipated. The savings from this contingency equals \$1.1 million. At this point in the biennium neither of the contingencies has been expended.
- Salary savings in 2015 equals \$2.3 million in the General Fund of which \$1.6 million is attributable to the public safety departments.

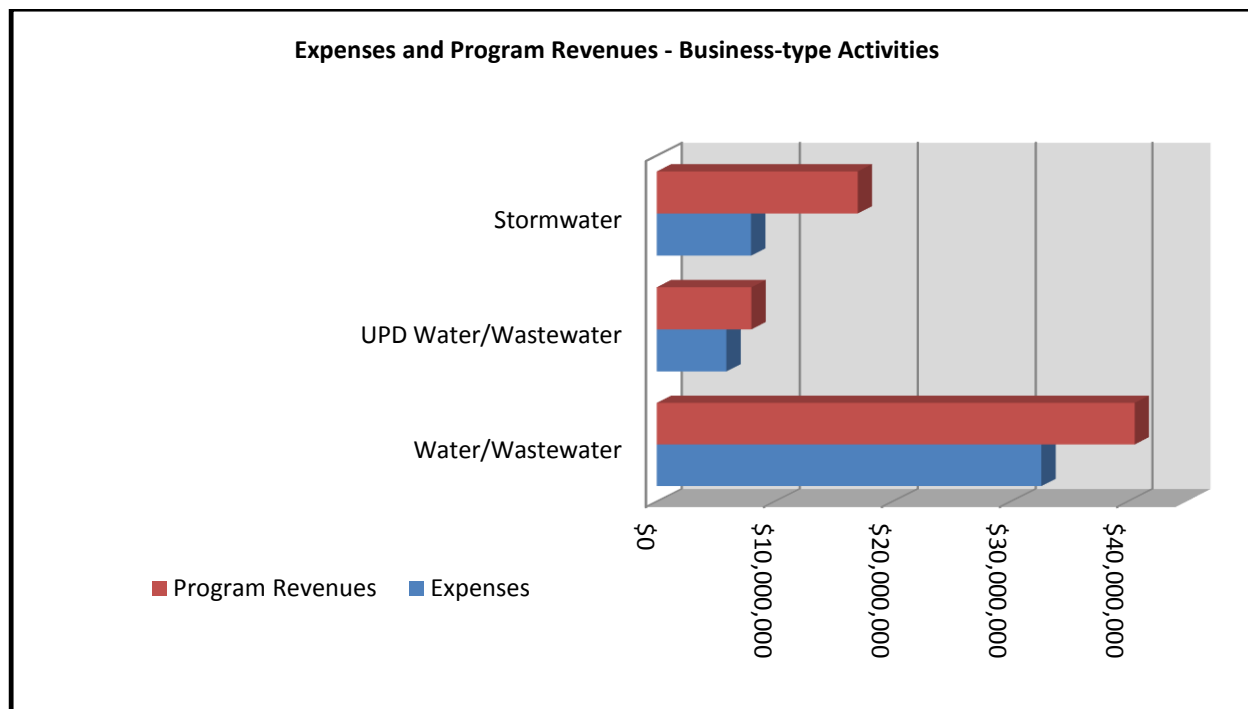
## **Business-type Activities**

Business-type activities account for 48.3% of the City's net position. Business-type activities of the City's utilities increased the City of Redmond's net position by \$13.4 million (1.8%).

Key elements of this increase are as follows:

- Investment in capital assets increased \$18.5 million or 5.8% between 2014 and 2015.
- The Water/Wastewater utility showed operating income of \$3.0 million in 2015 compared to \$2.0 million in 2014, while the Novelty Hill Water/Wastewater utilities showed an operating income of \$1.0 million compared to \$0.8 million in 2014. These increases were primarily due to increase water demands caused by above normal temperatures during the summer months and a higher level of development activities than seen in the previous year. When non-operating income and capital contributions are included, the change in net position is \$8.3 million for the Water/Wastewater utility and \$2.3 million for the UPD Water/Wastewater utility.
- The Storm water utility showed operating income of \$4.0 million in 2015 compared to \$4.2 million in 2014, primarily due to increases in maintenance and operations and depreciation expenses primarily due to delivery of significant capital projects. When non-operating income and capital contributions are included, the change in net position is \$8.3 million, compared to \$13.7 million in 2014. This is primarily due to decreases in grant revenues and capital contributions. The City completed significant work on the South Overlake Stormwater Vault in the Overlake neighborhood and the Redmond Way Water Quality Facility in the Downtown neighborhood. Both projects are key infrastructure for the City's regional stormwater system.

The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the revenues by source separately for the business-type activities for 2015.



### **City of Redmond's Capital Assets (net of depreciation)**

The City of Redmond's investment in capital assets for its governmental and business-type activities (not including investment in joint ventures) as of December 31, 2015, amounts to \$732.3 million (net of accumulated depreciation) an increase of \$56.6 million from 2014. Investment in capital assets includes land, art and construction in progress, which are not subject to depreciation. The other capital assets, buildings and building improvements, improvements other than buildings, machinery and equipment, and infrastructure are subject to depreciation.

Governmental type capital assets (net of depreciation) totaled \$395.4 million in 2015, an increase of \$38.1 million from 2014. \$22.8 million of this increase is due to prior period adjustments to capitalize contributed land rights from 2010 – 2014. Business-type capital assets (net of depreciation) totaled \$336.9 million, an increase of \$18.5 million from 2014. In addition to the effects of depreciation, these increases are the result of land acquisitions, improvements to buildings and construction in progress. More information on the City's Capital Assets can be found in Note 6 – Capital Assets, in the Notes to the Financial Statements.

**City of Redmond's Capital Assets**  
**(net of depreciation)**  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
Land & Land Rights	\$ 126,464	\$ 100,568	\$ 25,620	\$ 22,148	\$ 152,084	\$ 122,716
Buildings/ Bldg. Improvements	55,021	56,075	30,326	31,086	85,347	87,161
Improvements other than Buildings	19,895	18,554	268,996	225,759	288,891	244,313
Machinery and Equipment	10,436	10,343	921	268	11,357	10,611
Construction in Progress	17,626	20,013	10,996	39,096	28,622	59,109
Infrastructure	165,405	151,190	-	-	165,405	151,190
Art	549	549	-	-	549	549
<b>Total</b>	<b>\$ 395,396</b>	<b>\$ 357,292</b>	<b>\$ 336,859</b>	<b>\$ 318,357</b>	<b>\$ 732,255</b>	<b>\$ 675,649</b>

**City of Redmond's Outstanding Debt**

At the end of 2015, the City of Redmond had total bonded debt outstanding of \$87.7 million. Of this amount, \$58.5 million is general obligation bonds (City Hall, Bear Creek Parkway and Parks); and \$29.2 million is revenue bonded debt for the water/wastewater and stormwater utilities.

**City of Redmond's Long-term Debt**  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 58,530	\$ 61,780	\$ -	\$ -	\$ 58,530	\$ 61,780
G.O. bond premiums	3,140	2,615	-	-	3,140	2,615
Revenue bonds	-	-	29,170	30,660	29,170	30,660
Revenue bond issuance premiums	-	-	3,195	3,381	3,195	3,381
Public Works Trust Fund loans	1,511	1,677	4,412	-	5,923	1,677
Other post-employment benefits	4,032	3,489	-	-	4,032	3,489
Compensated absences	4,456	4,060	563	540	5,019	4,600
Net pension liability	21,885	-	5,122	-	27,007	-
<b>Total</b>	<b>\$ 93,554</b>	<b>\$ 73,621</b>	<b>\$ 42,462</b>	<b>\$ 34,581</b>	<b>\$ 136,016</b>	<b>\$ 108,202</b>

In September 2013 the City issued \$33.1 million in limited tax general obligation refunding bonds to advance refund \$32.8 million of outstanding 2004 Limited Tax General Obligation Lease Revenue Bonds for City Hall and the parking garage. The refunding resulted in deferred outflows of \$1.5 million. In December, 2015, the City issued \$9,280,000 in limited tax general obligation refunding bonds with an interest rate of 3.00% to advance refund \$8,940,000 of outstanding 2008 Limited Tax General Obligation Bonds. The refunding resulted in deferred outflows of \$1.0 million. The 2015 unamortized balance of \$2.3 million is reported as a deferred outflow in the statement of net position.

As discussed in Note 17, Net pension assets increased \$10.1 million due to implementation of GASB Statement No. 68 Accounting and Reporting for Pensions.

As discussed in Note 18 – Subsequent Events, the City issued an additional \$17,630,000 in Limited Tax General Obligation and Refunding Bonds in January 2016.

For further details related to the outstanding debt please refer to note 11 – Long-term Obligations, in the Notes to the Financial Statements.

## **Economic Factors and Next Year's Budget and Rates**

The City of Redmond budget is an important part of Redmond's Six-Year Financial Plan that is focused on the good of the community and guided by a robust public process. The Six-Year Financial Plan builds upon the City's sound financial strategy by providing a framework that allows the City to "catch up" with needed maintenance, "keep up" with growth and demands for service and "step up" to some of the needs and opportunities that should be acted upon. Through innovation and efficiencies, Redmond continues to provide quality services that meet or exceed the expectations of our community members. Strong financial stewardship and quality customer service is a hallmark of Redmond city government and is evidenced by the City's AAA bond rating.

In addition, planning and construction continues in the Overlake area to anticipate the neighborhood's needs when light rail becomes a part of the area. The City has fostered relationships, both private and with other government organizations, to ensure Overlake continues to be a thriving neighborhood. Lastly, the City is investing in connecting neighborhoods and keeping up with infrastructure maintenance through 2015. General Fund revenue ended the year slightly over expectations due to a one-time audit reimbursement in sales tax. Departments successfully managed their expenditures and as a result General Fund expenditures were approximately 7% below the authorized budget. The City experienced growth in licenses and permits due to a surge in commercial development activity which began in 2014 and is anticipated to last beyond 2015. In future years, Redmond anticipates making progress on its capital improvement goals by continuing the work in downtown Redmond on the new Downtown Park (beginning construction in 2017) and converting the Redmond Way and Cleveland one-way streets into two-way thoroughfares (construction is anticipated starting in 2016). The City will continue to make investments in parks and trails, infrastructure rehabilitation and safety improvements, most notably the renovation of the Public Safety Building which houses the Redmond Police Department.

The City's Six-Year Financial Plan provides adequate funding for all City services while continuing to seek efficiencies in service delivery. In addition, the Capital Investment Program continues to remain strong with projects aligned with the City's vision of a community with connected neighborhoods and two vibrant urban centers.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Redmond's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Director of Finance & Information Services, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

CITY OF REDMOND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,748,027	\$ 11,106,485	\$ 22,854,512
Cash with outside agencies	10,000	-	10,000
Investments (Note 3)	74,474,540	61,334,770	135,809,310
Receivables:			
Taxes	8,619,653	-	8,619,653
Accounts	353,121	4,673,480	5,026,601
Interest	176,024	159,226	335,250
Due from other governments	3,589,024	361,841	3,950,865
Inventory	37,012	107,549	144,561
Prepaid insurance	453,171	-	453,171
Net pension asset	11,084,335	-	11,084,335
Restricted assets:			
Deposit cash	526,856	55,681	582,537
Deposit investments	4,703,262	-	4,703,262
Revenue bond reserve	-	2,809,909	2,809,909
Rate stabilization fund	-	6,107,077	6,107,077
Advance on service contract	-	38,930	38,930
Capital assets (Note 6):			
Land, artwork, construction in progress	144,638,940	36,616,730	181,255,670
Depreciable capital assets, net	250,757,180	300,241,985	550,999,165
Total assets	<u>511,171,145</u>	<u>423,613,663</u>	<u>934,784,808</u>
Deferred outflow of resources:			
Debt refunding	2,323,243	-	2,323,243
Pensions	4,202,857	625,002	4,827,859
Total deferred outflows	<u>6,526,100</u>	<u>625,002</u>	<u>7,151,102</u>
Total assets and deferred outflows	<u>517,697,245</u>	<u>424,238,665</u>	<u>941,935,910</u>
<b>LIABILITIES</b>			
Payables:			
Accounts/claims	4,152,641	1,912,037	6,064,678
Employee wages	2,640,589	750,995	3,391,584
Interest	199,821	111,587	311,408
Due to other governments	637,187	44,932	682,119
Unearned revenues	558,767	-	558,767
Customer deposits	4,079,232	55,681	4,134,913
Noncurrent liabilities (Note 11):			
Due within one year	7,378,876	1,540,000	8,918,876
Due in more than one year	64,289,824	35,349,406	99,639,230
Net pension liability	21,885,095	5,121,872	27,006,967
Total liabilities	<u>105,822,032</u>	<u>44,886,510</u>	<u>150,708,542</u>
Deferred inflow of resources:			
Pensions	6,514,154	783,130	7,297,284
Total deferred inflows	<u>6,514,154</u>	<u>783,130</u>	<u>7,297,284</u>
Total liabilities and deferred inflows	<u>112,336,186</u>	<u>45,669,640</u>	<u>158,005,826</u>
<b>NET POSITION</b>			
Net investment in capital assets (Note 6)	334,538,419	304,494,008	639,032,427
Restricted for:			
Net pension asset	11,084,335		11,084,335
Advance life support	1,273,492	-	1,273,492
Cable access	1,014,487	-	1,014,487
Parks	618,017	-	618,017
Police	4,987,920	-	4,987,920
Fire	2,537,981	-	2,537,981
Debt service	1,065,607	2,809,909	3,875,516
Capital projects	18,383,684	-	18,383,684
Tourism	579,883	-	579,883
Planning-Transportation	731,630	-	731,630
Recycling	660,952	-	660,952
Rate stabilization fund	-	6,107,077	6,107,077
Unrestricted	27,884,652	65,158,031	93,042,683
Total Net Position	<u>\$ 405,361,059</u>	<u>\$ 378,569,025</u>	<u>\$ 783,930,084</u>

The notes to the financial statements are an integral part of this statement

**CITY OF REDMOND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 21,021,158	\$ 3,113,517	\$ 8,733	\$ -	\$ (17,898,908)	\$ -	\$ (17,898,908)
Security	49,832,308	17,993,377	1,076,071	-	(30,762,860)	-	(30,762,860)
Physical environment	286,281	553,222	211,750	-	478,691	-	478,691
Economic environment	5,850,805	15,142,018	-	-	9,291,213	-	9,291,213
Transportation	13,338,510	391,637	500,730	3,913,775	(8,532,368)	-	(8,532,368)
Culture and recreation	12,357,964	2,712,852	100,760	-	(9,544,352)	-	(9,544,352)
Interest on long-term debt	2,730,736	-	-	-	(2,730,736)	-	(2,730,736)
<b>Total governmental activities</b>	<b>105,417,762</b>	<b>39,906,623</b>	<b>1,898,044</b>	<b>3,913,775</b>	<b>(59,699,320)</b>	<b>-</b>	<b>(59,699,320)</b>
<b>Business-type activities</b>							
Water/Wastewater	32,592,451	35,637,004	51,944	4,908,110	-	8,004,607	8,004,607
UPD Water/Wastewater	5,900,042	6,946,516	-	1,074,142	-	2,120,616	2,120,616
Stormwater	7,988,814	11,961,161	2,619,392	2,450,979	-	9,042,718	9,042,718
<b>Total business-type activities</b>	<b>46,481,307</b>	<b>54,544,681</b>	<b>2,671,336</b>	<b>8,433,231</b>	<b>-</b>	<b>19,167,941</b>	<b>19,167,941</b>
<b>Total government</b>	<b>\$ 151,899,069</b>	<b>\$ 94,451,304</b>	<b>\$ 4,569,380</b>	<b>\$ 12,347,006</b>	<b>(59,699,320)</b>	<b>19,167,941</b>	<b>(40,531,379)</b>
<b>General revenues:</b>							
Taxes							
Property					23,563,621	-	23,563,621
Sales					25,385,141	-	25,385,141
Business and Occupation					15,575,563	-	15,575,563
Excise					7,594,713	-	7,594,713
Timber Harvest					4	-	4
Investment interest					988,738	641,130	1,629,868
Gain (loss) in change of fair value					(223,739)	(206,803)	(430,542)
Miscellaneous					1,682,197	278,719	1,960,916
Investment interest expense					-	(916,981)	(916,981)
Contributions/Disposal of capital assets					3,197,734	(56,205)	3,141,529
<b>Total general revenues</b>					<b>77,763,972</b>	<b>(260,140)</b>	<b>77,503,832</b>
Change in net position					18,064,652	18,907,801	36,972,453
Net position-beginning					381,914,505	365,124,610	747,039,115
Prior Period Adjustments					22,209,391	-	22,209,391
Changes in Accounting Principles - GASB 68					(16,827,489)	(5,463,386)	(22,290,875)
<b>Net position-ending</b>					<b>\$ 405,361,059</b>	<b>\$ 378,569,025</b>	<b>\$ 783,930,084</b>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND  
BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2015

	General	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,259,863	\$ 3,551,935	\$ 1,331,070	\$ 9,142,868
Cash with outside agency	-	-	10,000	10,000
Investments	26,904,646	22,343,246	8,830,474	58,078,366
Receivables:				
Taxes	8,008,146	-	611,507	8,619,653
Accounts	203,681	1,632	67,025	272,338
Interest	62,810	51,457	25,055	139,322
Due from other funds	128,482	-	-	128,482
Due from other governments	288,543	1,288,254	2,012,227	3,589,024
Restricted assets:				
Deposit investments	4,691,232	11,695	335	4,703,262
Cash	454,814	-	72,042	526,856
Total Assets	<u>\$ 45,002,217</u>	<u>\$ 27,248,219</u>	<u>\$ 12,959,735</u>	<u>\$ 85,210,171</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts/claims payable	\$ 857,432	\$ 1,652,124	\$ 113,206	\$ 2,622,762
Employee wages payable	2,010,607	37,035	293,282	2,340,924
Due to other funds	-	-	128,482	128,482
Due to other governments	468,249	8,859	125,266	602,374
Payable from restricted assets:				
Deposits payable	4,067,202	11,695	335	4,079,232
Unearned revenues	430,199	-	128,568	558,767
Total Liabilities	<u>7,833,689</u>	<u>1,709,713</u>	<u>789,139</u>	<u>10,332,541</u>
<b>Fund balances:</b>				
<b>Spendable:</b>				
Restricted	7,106,431	13,429,456	10,733,369	31,269,257
Committed	9,441,772	-	1,437,227	10,878,999
Assigned	11,019,280	12,109,050	-	23,128,330
Unassigned	9,601,044	-	-	9,601,044
Total Fund Balances	<u>37,168,527</u>	<u>25,538,506</u>	<u>12,170,596</u>	<u>74,877,629</u>
Total Liabilities and Fund Balances	<u>\$ 45,002,216</u>	<u>\$ 27,248,219</u>	<u>\$ 12,959,735</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	389,410,092
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the Statement of Net Position.	21,069,277
Some liabilities, including bonds, loans, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 2)	(69,286,186)
The Net Pension Asset, Net Pension Liability, and deferred inflows and deferred outflows are reported in the government-wide statement of net position but not in the governmental balance sheet. (Note 2)	(10,709,753)
Net position of governmental activities	<u>\$ 405,361,059</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 63,338,221	\$ -	\$ 8,780,820	\$ 72,119,041
Licenses and permits	9,720,283	-	1,203,748	10,924,031
Contributions	66,687	68,500	37,820	173,007
Intergovernmental	3,103,642	3,913,775	343,483	7,360,900
Charges for services	14,815,209	1,945,511	9,870,325	26,631,045
Fines and forfeitures	613,556	-	15,901	629,457
Investment income	307,514	255,961	93,962	657,437
Net Change in Fair Value of Investment	(99,443)	(65,807)	(25,996)	(191,246)
Miscellaneous	304,097	178,602	432,077	914,776
Total Revenues	<u>92,169,766</u>	<u>6,296,542</u>	<u>20,752,140</u>	<u>119,218,448</u>
<b>EXPENDITURES</b>				
Current:				
General government	16,414,295	-	-	16,414,295
Security of persons and property	44,684,473	-	6,496,134	51,180,607
Physical environment	16,957	-	640,223	657,180
Transportation	8,752,185	-	1,292,403	10,044,588
Economic environment	4,648,988	-	970,796	5,619,784
Social Services	882,947	-	273,505	1,156,452
Culture and recreation	8,841,562	-	2,378,644	11,220,206
Capital outlay	488,709	20,438,118	80,138	21,006,965
Debt service:				
Principal	94,451	751,886	2,910,000	3,756,337
Interest and debt issue costs	4,014	218,847	2,463,314	2,686,175
Total Expenditures	<u>84,828,581</u>	<u>21,408,851</u>	<u>17,505,157</u>	<u>123,742,589</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>7,341,185</u>	<u>(15,112,309)</u>	<u>3,246,983</u>	<u>(4,524,141)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refunding bonds issued	-	-	9,280,000	9,280,000
Premium on refunding bonds issued			716,063	716,063
Payment to refunded bond escrow agent	-	-	(9,996,063)	(9,996,063)
Insurance recoveries	7,460	-	-	7,460
Transfers in (Note 12)	3,234,801	10,409,639	5,781,007	19,425,447
Transfers out (Note 12)	(8,158,363)	(3,046,300)	(8,085,146)	(19,289,809)
Total other financing sources and uses	<u>(4,916,102)</u>	<u>7,363,339</u>	<u>(2,304,139)</u>	<u>143,098</u>
Net change in fund balances	<u>2,425,083</u>	<u>(7,748,970)</u>	<u>942,844</u>	<u>(4,381,043)</u>
Fund balances-beginning	<u>34,817,144</u>	<u>33,783,942</u>	<u>11,227,752</u>	<u>79,828,838</u>
Prior Period Adjustment	<u>(73,700)</u>	<u>(496,466)</u>	<u>-</u>	<u>(570,166)</u>
Fund balances-ending	<u>\$ 37,168,527</u>	<u>\$ 25,538,506</u>	<u>\$ 12,170,596</u>	<u>\$ 74,877,629</u>

The notes to the financial statements are an integral part of this statement



CITY OF REDMOND  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Net change in fund balances-total governmental funds.	\$ (4,381,043)
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 of \$21,006,965 and contributions of \$1,920,260 exceed depreciation expense of \$8,968,997 and disposals of \$227,171 in the current period.	13,731,057
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (Note 2)	1,155,936
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net position. Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities: This is the amount by which repayments exceeded proceeds. (Note 2)	3,771,869
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	2,023,448
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 2)	(867,614)
Pension expenses reported in the governmental fund statements are not reported as expenditures in the statement of activities.	2,630,999
Change in net position of governmental activities.	<u>\$ 18,064,652</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2015

Page 1 of 2

	Business-type Activities			Governmental Activities	
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 4,620,052	\$ 2,548,024	\$ 3,938,409	\$ 11,106,485	\$ 2,605,159
Investments	23,827,136	14,308,710	23,198,924	61,334,770	16,396,174
Accounts and contracts receivable	3,145,712	510,120	1,017,648	4,673,480	80,783
Interest receivable	66,199	36,739	56,288	159,226	36,702
Due from other Governments	4,625	-	357,216	361,841	-
Inventory	107,549	-	-	107,549	37,012
Prepaid insurance	-	-	-	-	453,171
Restricted assets:					
Customer deposits:					
Cash and cash equivalents	16,373	32,000	7,308	55,681	-
Revenue Bond Reserve:					
Investments	1,175,500	-	1,634,409	2,809,909	-
Rate stabilization fund:					
Investments	4,177,811	1,929,266	-	6,107,077	-
Total current assets	<u>37,140,957</u>	<u>19,364,859</u>	<u>30,210,202</u>	<u>86,716,018</u>	<u>19,609,001</u>
Noncurrent assets:					
Advance on service contract	35,445	3,485	-	38,930	-
Capital assets:					
Land and land rights	4,382,731	3,274,106	17,963,437	25,620,274	584,292
Buildings	25,377,864	11,031,564	1,549,496	37,958,924	619,494
Improvements other than buildings	168,268,908	63,753,253	114,722,506	346,744,667	356,198
Equipment	562,618	262,471	632,836	1,457,925	13,739,850
Construction in progress	2,275,787	84,808	8,635,861	10,996,456	91,370
Less accumulated depreciation	(53,697,333)	(15,773,395)	(16,448,803)	(85,919,531)	(9,405,182)
Total capital assets (net of depreciation)	<u>147,170,575</u>	<u>62,632,807</u>	<u>127,055,333</u>	<u>336,858,715</u>	<u>5,986,022</u>
Total noncurrent assets	<u>147,206,020</u>	<u>62,636,292</u>	<u>127,055,333</u>	<u>336,897,645</u>	<u>5,986,022</u>
Total assets	<u>\$ 184,346,977</u>	<u>\$ 82,001,151</u>	<u>\$ 157,265,535</u>	<u>\$ 423,613,663</u>	<u>\$ 25,595,023</u>
Deferred outflow of resources:					
Pension GASB 68	328,975	158	295,869	625,002	284,365
Total deferred outflows	<u>328,975</u>	<u>158</u>	<u>295,869</u>	<u>625,002</u>	<u>284,365</u>
Total assets and deferred outflows	<u>\$ 184,675,952</u>	<u>\$ 82,001,309</u>	<u>\$ 157,561,404</u>	<u>\$ 424,238,665</u>	<u>\$ 25,879,388</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2015

Page 2 of 2

	Business-type Activities				Governmental Activities
	Enterprise Funds			Internal Service Funds	
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		Totals
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,010,482	\$ 72,963	\$ 828,592	\$ 1,912,037	\$ 1,529,877
Employee wages payable	163,973	179	136,047	300,199	299,665
Compensated absences	248,415	-	202,381	450,796	207,269
Due to other governments	13,912	176	30,844	44,932	34,813
Current portion of revenue bonds payable	755,000	-	785,000	1,540,000	-
Accrued interest payable	29,132	-	82,455	111,587	-
Current liabilities payable from restricted assets:					
Customer deposits payable	16,373	32,000	7,308	55,681	-
Total current liabilities	2,237,287	105,318	2,072,627	4,415,232	2,071,624
Noncurrent liabilities:					
Revenue bonds payable, net	6,690,917	-	24,133,790	30,824,707	-
Loans payable	-	-	4,412,000	4,412,000	-
Compensated absences	62,104	-	50,595	112,699	51,818
Net Pension Liability	2,695,940	1,297	2,424,635	5,121,872	2,330,359
Total noncurrent liabilities	9,448,961	1,297	31,021,020	40,471,278	2,382,177
Total liabilities	11,686,248	106,615	33,093,647	44,886,510	4,453,801
Deferred inflow of resources:					
Pension GASB 68	412,207	198	370,725	783,130	356,310
Total deferred inflows	412,207	198	370,725	783,130	356,310
Total liabilities and deferred inflows	12,098,455	106,813	33,464,372	45,669,640	4,810,111
NET POSITION					
Net investment in capital assets	139,724,658	62,632,807	102,136,543	304,494,008	5,986,022
Restricted for debt service	1,175,500	-	1,634,409	2,809,909	-
Restricted for rate stabilization	4,177,811	1,929,266	-	6,107,077	-
Unrestricted	27,499,528	17,332,423	20,326,080	65,158,031	15,083,255
Total net position	\$ 172,577,497	\$ 81,894,496	\$ 124,097,032	\$ 378,569,025	\$ 21,069,277

The notes to the financial statements are an integral part of this statement

**CITY OF REDMOND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2015

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
Operating revenues:					
Charges for services	\$ 21,522,221	4,921,781	11,961,161	38,405,163	17,374,737
Metro service	14,114,783	2,024,735	-	16,139,518	-
Charges for replacement	-	-	-	-	2,378,063
Charges for insurance	-	-	-	-	1,170,182
Total operating revenues	<u>35,637,004</u>	<u>6,946,516</u>	<u>11,961,161</u>	<u>54,544,681</u>	<u>20,922,982</u>
Operating expenses:					
Administrative and general	2,778,349	350,810	2,592,412	5,721,571	-
Purchased water	6,768,749	1,207,290	-	7,976,039	-
Metro service	13,556,523	1,993,768	-	15,550,291	-
Supplies	-	-	-	-	215,806
Maintenance and operations	4,794,203	826,745	3,524,502	9,145,450	18,465,647
Taxes	749,920	163,590	179,145	1,092,655	-
Depreciation and amortization	3,944,706	1,357,839	1,692,755	6,995,300	1,071,800
Total operating expenses	<u>32,592,450</u>	<u>5,900,042</u>	<u>7,988,814</u>	<u>46,481,306</u>	<u>19,753,253</u>
Operating income (loss)	<u>3,044,554</u>	<u>1,046,474</u>	<u>3,972,347</u>	<u>8,063,375</u>	<u>1,169,729</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	254,142	146,278	240,710	641,130	140,349
Net change in fair value of the investment	(85,900)	(47,800)	(73,103)	(206,803)	(32,494)
Grant income	51,944	-	2,619,392	2,671,336	1,156
Interest expense	(352,534)	-	(564,447)	(916,981)	-
Gain (Loss) on disposal of capital assets	-	-	(56,205)	(56,205)	121,538
Insurance recovery	-	-	-	-	511,739
Lease and other revenue	163,654	72,722	42,343	278,719	247,069
Total nonoperating revenues (expenses)	<u>31,306</u>	<u>171,200</u>	<u>2,208,690</u>	<u>2,411,196</u>	<u>989,357</u>
Income before contributions and transfers	<u>3,075,860</u>	<u>1,217,674</u>	<u>6,181,037</u>	<u>10,474,571</u>	<u>2,159,086</u>
Capital contributions	4,908,110	1,074,142	2,450,979	8,433,231	-
Transfers in	318,142	-	-	318,142	11,622
Transfers out	-	-	(318,142)	(318,142)	(147,260)
Change in net position	<u>8,302,112</u>	<u>2,291,816</u>	<u>8,313,874</u>	<u>18,907,802</u>	<u>2,023,448</u>
Total net position - beginning, as previously reported	167,151,084	\$ 79,604,064	\$ 118,369,462	365,124,610	21,531,572
Changes in Accounting Principles-GASB 68	(2,875,699)	(1,384)	(2,586,304)	(5,463,387)	(2,485,743)
Total net position - ending	<u>\$ 172,577,497</u>	<u>\$ 81,894,496</u>	<u>\$ 124,097,032</u>	<u>\$ 378,569,025</u>	<u>\$ 21,069,277</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2015

Page 1 of 2

	Business-type Activities- Enterprise Funds		Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 35,493,080	6,981,630	11,898,778	\$ 18,464,136
Cash received for replacement	-	-	-	2,378,063
Cash payments to suppliers	(21,730,293)	(3,532,592)	(1,184,280)	(4,223,282)
Cash payments to employees	(3,659,279)	(561)	(2,715,172)	(14,278,447)
Cash payments to other governments	(750,578)	(163,414)	(180,658)	109
Internal activity - payments to other funds	(2,296,758)	(1,031,012)	(2,157,222)	(536,461)
Other operating receipts	70,033	691	42,343	758,803
Net cash provided (used) by operating activities	<u>7,126,205</u>	<u>2,254,742</u>	<u>5,703,789</u>	<u>2,562,921</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Nonoperating transfers in/transfers out	-	-	-	(135,638)
Grant proceeds	72,271	-	985,769	1,156
Net cash provided by noncapital financing activities	<u>72,271</u>	<u>-</u>	<u>985,769</u>	<u>(134,482)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(1,765,380)	(109,091)	(18,699,602)	(1,509,725)
Proceeds from sale of other assets	93,623	72,030	-	121,538
Cash payments to suppliers	35,847	(20,555)	51,586	-
Capital contributions	2,396,425	12,325	1,346,613	-
Loan/grant proceeds	-	-	8,855,068	-
Interest paid on revenue bonds	(379,066)	-	(1,005,240)	-
Principal paid on other debt	(725,000)	-	(765,000)	-
Net cash provided (used) for capital and related financing activities	<u>(343,551)</u>	<u>(45,291)</u>	<u>(10,216,575)</u>	<u>(1,388,187)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Internal activity, net investment purchases	(5,251,237)	(1,496,275)	3,846,854	(457,205)
Interest on investments	156,181	94,590	176,020	107,229
Net cash provided (used) in investing activities	<u>(5,095,056)</u>	<u>(1,401,685)</u>	<u>4,022,874</u>	<u>(349,976)</u>
Net increase (decrease) in cash and cash equivalents	1,759,869	807,766	495,857	690,276
Cash and cash equivalents-beginning of year	2,876,556	\$ 1,772,258	\$ 3,449,860	\$ 1,914,883
Cash and cash equivalents-end of year	<u>\$ 4,636,425</u>	<u>\$ 2,580,024</u>	<u>\$ 3,945,717</u>	<u>\$ 2,605,159</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2015

Page 2 of 2

	Business-type Activities- Enterprise Funds		Governmental Activities- Internal Service Funds	
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals
Cash and cash equivalents				
Operating fund cash	\$ 4,620,052	2,548,024	3,938,409	11,106,485
Customer deposits	16,373	32,000	7,308	55,681
Cash and cash equivalents-end of year	<u>\$ 4,636,425</u>	<u>\$ 2,580,024</u>	<u>\$ 3,945,717</u>	<u>\$ 11,162,166</u>
				<u>\$ 2,605,159</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 3,044,554	1,046,474	3,972,347	8,063,375
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	3,944,706	1,357,839	1,692,755	6,995,300
Decrease (increase) in accounts receivable	(143,924)	35,114	(62,384)	(171,194)
Decrease (increase) in inventory	(34,496)	-	-	(34,496)
Decrease (increase) in prepaid expenses	-	-	-	(9,417)
Increase (decrease) in accounts payable	239,896	(184,991)	38,912	93,817
Increase (decrease) due to other governments	(659)	176	(1,513)	(1,996)
Increase (decrease) in employee wages payable	93,940	(513)	93,703	187,130
Increase (decrease) in compensated absences payable	8,682	-	14,437	23,119
Reclassify other income	70,033	691	42,343	113,067
Increase (decrease) in GASB 68 adjustment	(96,527)	(48)	(86,811)	(183,386)
Net cash provided (used) by operating activities	<u>\$ 7,126,205</u>	<u>\$ 2,254,742</u>	<u>\$ 5,703,789</u>	<u>\$ 15,084,736</u>
				<u>\$ 2,562,921</u>

Noncash investing, capital and financing activities:				
Developers contributed infrastructure valued at	\$ 2,511,685	1,061,817	1,104,366	4,677,868
Fair value of investments decreased by	(85,900)	(47,800)	(73,103)	(206,803)
				(48,266)

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
As of December 31, 2015

	Firefighters Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 197,645	\$ 2,745,189
Investments:		
U.S. Government Securities	1,223,363	9,928,408
Money Market Funds	134,732	614,896
Local Government Investment Pool	47,460	883,810
Receivables:		
Accounts Receivable	-	-
Interest	3,130	24,222
Construction in Progress	-	938,943
Total Assets	<u>1,606,330</u>	<u>15,135,468</u>
LIABILITIES		
Accounts payable	\$ -	\$ (1,052)
Due to other governments	-	270,993
Custodial	-	13,681,664
Trust account	-	1,183,863
Total Liabilities	<u>-</u>	<u>15,135,468</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 1,606,330</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements

CITY OF REDMOND  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
For the year ended December 31, 2015

	Firefighters Pension Fund
ADDITIONS	
Intergovernmental revenue	\$ 146,358
Investment interest	9,511
Total additions	<u>155,869</u>
DEDUCTIONS	
Benefit payments	28,466
Administrative expenses	5,500
Total deductions	<u>33,966</u>
Change in net position	121,903
Net position-beginning	<u>1,484,427</u>
Net position-ending	<u>\$ 1,606,330</u>

The notes to the financial statements are an integral part of these statements



## **NOTE 1:**

### **Summary of Significant Accounting Policies**

The City of Redmond was incorporated on December 31, 1912 and operates under the laws of the State of Washington applicable to a Non-Charter Mayor/Council form of government (elected Mayor and City Council composed of seven members). Both Mayor and Council are elected to four-year terms. The City provides general government services including public safety, highways and streets, parks and recreation, planning and zoning, permits and inspection, sanitation, general administrative, and water and wastewater services.

The accounting and reporting policies of the City of Redmond conform to generally accepted accounting principles for governments and are regulated by the Washington State Auditor's Office.

The City's Comprehensive Annual Financial Report (CAFR) is prepared in accordance with Governmental Accounting Standards Board (GASB) Statements and the following notes detail the City's significant accounting policies.

#### **Reporting Entity**

The City's CAFR includes the financial statements for the City of Redmond and its component units; entities for which the City is considered to be financially accountable. The City has one component unit presented in the fiduciary fund statements, Redmond Community Facilities District (CFD), which was created in 2014 for the purpose of financing the construction of a pedestrian/bicycle bridge over SR 520 at the Overlake Transit Station. The CFD is reported as a component unit of the City of Redmond because the CFD was formed by the City for the sole purpose of levying special assessments to finance the construction of the pedestrian bridge that, upon completion, will be transferred to the City of Redmond. In addition, three members of the Redmond City Council serve on the District's five-member Board of Supervisors, and the City's Finance Director serves as the District's Treasurer. Accounting and reporting services are provided by the City's Finance Department. Because the City cannot use the resources of the CFD to support its programs, bears no financial obligations related to the CFD or its projects, and does not have the ability to impose its will on the CFD, the City acts in a fiduciary capacity only. Therefore, the District is reported in the fiduciary fund statements in the City of Redmond's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2015. (See Note 13 - Component Units for additional information.)

#### **Basic Financial Statements**

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. The effect of inter-fund 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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements 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 funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 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.

Under the modified accrual basis of accounting, property taxes, sales taxes, utility taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 33. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. Entitlement grant revenue is not tied to expenditures and is recognized when the City is entitled to receive it according to the grant agreement.

## Financial Statement Presentation

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

The **Capital Investments Program Fund** accounts for financial resources to be used for the acquisition, construction, and preservation of major capital facilities other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The **Water/Wastewater Fund** accounts for the activities of providing water and sewer services to its citizens.

The **UPD Water/Wastewater Fund** accounts for the activities of providing water and sewer services to an urban planned development outside the City limits. Both of these utilities' operations are self-supported through user charges.

The **Stormwater Management Fund** accounts for the operation, construction, and maintenance of the City's stormwater management system. The utility's operations are self-supported through fees.

Additionally, the City reports the following fund types:

**Internal Service Funds** account for fleet maintenance, information technology, and insurance services provided to other departments of the City on a cost reimbursement basis.

**Agency Funds** account for assets held by the City as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City has four Agency Funds: Intergovernmental Custodial, Municipal Employees Benefit Trust, Contractor's Deposits, and Redmond Community Facilities District.

The **Pension Trust Fund** accounts for the activities of the **Firefighter's Pension Fund**, which accumulates resources for excess pension benefit payments to qualified firefighters.

**Special Revenue Funds** are used to account for specific revenues that are restricted to or reserved for expenditures for particular purposes.

**Debt Service Funds** account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

The City does not have any permanent funds.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide Statement of Activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance and information technology. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers 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 as program revenues. Likewise, general revenues include all taxes.

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and insurance. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## **Budgets and Budgetary Accounting**

The City of Redmond 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 LID Control and the LID Guaranty Debt Service Funds, and Fiduciary funds. Budgets established for proprietary funds are "management budgets" and as such are not required to be shown in this report.

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level for all funds. Expenditures and other financing uses may not exceed budgeted appropriations at these levels. The Mayor may authorize transfers within all funds. The City Council must approve by ordinance any additional appropriations which increase the total at the fund level. Any unexpended appropriation balances lapse at the end of the biennium.

In addition to authorizing the budget, the City Council biennially approves the Capital Investments Program. This is a six-year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the Capital Projects Funds and Enterprise Funds.

The City prepares all biennial budgets on the modified accrual basis which conforms to generally accepted accounting principles. The CAFR includes budgetary comparisons for the general and capital projects governmental funds with legally adopted budgets.

The budget process and the time limits under which a budget must be developed are established by State law. The City uses a “budgeting for outcomes” format and follows the procedures outlined below in the year preceding the first year of the two-year budget to establish its biennial budget:

- In winter, community meetings are held to affirm or revise the City’s budget priorities. The Mayor appoints staff and citizens to teams which interpret these priorities and develop the primary factors that the City should support to pursue the given priority. These factors are used by staff to develop budget offers.
- In spring, the Mayor develops and submits a budget calendar to the City Council for approval.
- In June, the City Clerk publishes notice for the first public hearing. Also around mid-year staff prepares a six-year forecast and reviews this forecast with the City Council at a public meeting.
- Throughout the summer, City staff create budget offers and review revenue and expenditure estimates.
- In October, preliminary budget estimates are made available to the public.
- Sixty days before the ensuing fiscal year, the Mayor files the preliminary budget with the City Clerk’s office.
- 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.
- The City Council holds a series of study sessions to review the preliminary budget to determine if they wish to make any modifications to the Mayor’s recommended programs.
- Public hearings are held prior to the adoption of the budget for the public to comment on recommended programs and to offer ideas for new programs.
- Prior to the beginning of the first calendar year of the biennial budget, the City Council, by a majority of the members present, adopts a final operating budget by ordinance.
- The Final Budget document is printed and distributed and posted on the City’s website after adoption.

## **Assets, Liabilities, and Net Position**

### **Cash and Investments**

It is the City’s policy to invest temporary cash surpluses. These investments are reported on the Statement of Net Position and the governmental funds Balance Sheet as cash and cash equivalents or investments. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, investments with the Local Government Investment Pool, investments in U.S. Government Mutual Funds and investments with original maturities of three months or less. Interest is allocated to each fund on the basis of investments owned.

In accordance with City policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, Bankers’ Acceptances, Bonds of Washington State and any local government in Washington State which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State Investment Pool (which is a 2a7-like pool), and mutual funds used specifically for debt issues related to arbitrage.

The City reports its deposit and investment risk disclosures in accordance with GASB 40 (see Note 4).

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments including the Firefighter’s Pension Fund are stated at fair value.

## **Receivables**

The City of Redmond recognizes receivables in its financial statements based on the accounting requirements for that statement. These receivables are as follows:

### **Property Taxes**

The City's property tax collections records show that approximately 99% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. The City performs an analysis of all uncollected property taxes to test materiality of the uncollected balance as well as the collectability. Based on this analysis the City will determine the classification of the uncollected portion of property taxes; revenue versus uncollected property taxes. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore no allowance for uncollectible taxes is recorded.

### **Sales Taxes**

There is a running two-month lag in remittance of sales tax to the City. Sales taxes collected in November and December are not remitted by the State to the City until January and February of the following year and they are reported as receivables at year-end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the State.

### **Investment Interest**

Interest receivable consists of interest earned on investments at the end of the year, accrued interest on investments purchased between interest dates, and accrued interest and penalties on special assessments receivable. In proprietary funds and the government-wide Statement of Net Position, investment interest is recorded as receivable, regardless of its payment date. In the governmental fund statements and schedules, investment interest is recorded as receivable if it will be paid to the City within 60 days of year-end.

### **Accounts Receivable**

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Unbilled services provided to utility customers are estimated at year-end and included in accounts receivable. Uncollectible amounts are considered immaterial and the direct write-off method is used.

## **Interfund Transactions**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). 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."

## **Inventories**

Inventories are defined as assets which may be held for internal consumption or for resale. The City uses the following policies in valuing and recording inventory items:

In proprietary funds a perpetual inventory is maintained, in which the cost is held in an asset account when inventory items are purchased, and expensed when the item is consumed. The first-in, first-out valuation method, which approximates market, is used to value the inventory. A physical inventory is taken at year-end. No inventory is maintained in governmental funds; however, the internal service fund inventories are included in the "Governmental Activities" on the Statement of Net Position.

# Restricted Assets

Restricted assets include those monies reserved for customers' deposits, bond reserve monies and impact fees.

# Advance on Service Contract

For fiscal years prior to December 31, 2012, the City amortized under guidance provided by FASB 71 the Tolt Pipeline project and the Tolt Meter project with the City of Seattle. In further review, this is not a deferred outflow of resources but rather an advance on a service contract.

# Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds. Capital assets are defined by the City as land and buildings with an original cost of \$50,000 or more each, machinery, equipment, software, vehicles, transportation and utility infrastructure and other improvements with an original cost of \$10,000 or more each and an estimated useful life of more than one year, and all artwork regardless of its initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land, construction in progress, and works of art are not depreciated. Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings/Building improvements	50
Other improvements	15-50
Vehicles	3-15
Machinery and equipment	6-20
Utility infrastructure	10-100
Streets, paths, trails	50
Street lights and traffic signals	30

# Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time in lieu of overtime and sick leave benefits. Twenty-five percent of unused sick leave is payable at retirement or death. Any outstanding sick leave is lost at resignation; therefore, outstanding sick leave at year-end is not accrued because the payment cannot be deemed probable nor can the amount be reasonably estimated. All vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems.



For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Other Post-Employment Benefits**

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred, and are paid out of the General Fund.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. Deferred charges on debt refunding result from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension plans are discussed in detail in Note 7: Pension Plans.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Deferred inflows related to pension plans are discussed in detail in Note 7: Pension Plans.

### **Long-Term Obligations**

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 are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing 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.

### **Fund Balance**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Fund balances are categorized as Nonspendable or Spendable amounts as follows:

*Nonspendable Fund Balance:* fund resources that are in a form that either *never* could be spent or in a form that is *temporarily* not spendable. This can include resources that are spendable in form but are under legal restrictions that temporarily or permanently bar spending.

Spendable amounts are further segregated into categories based on the degree to which the uses of resources are constrained.

- *Restricted Fund Balance:* fund resources that are subject to restrictions that are *legally enforceable* by *outside parties*. This includes resources raised through enabling legislation.
- *Committed Fund Balance:* fund resources that are legally limited by the resolution by the City Council. A resolution must be taken to impose limitations on the use of these resources, and another resolution is required to modify or eliminate those limitations.

- *Assigned Fund Balance*: fund resources that are limited by the mayor, or department directors based on delegation, for its intended use. This type of limitation can be imposed by the highest level of decision making within the entity or a designee, but little or no formal action is required to modify or eliminate those limitations.
- *Unassigned Fund Balance*: fund resources that are in spendable form and are not restricted, committed or assigned.

*Flow assumption*: When expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When expenditure is incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's policy to spend committed resources first, then assigned and unassigned, in that order. However, prior to the commencement of any project, the flow assumption is reviewed to ensure that the proper resources are being used.

## **NOTE 2:**

### **Reconciliation of Government-Wide and Fund Financial Statements**

#### **Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes reconciliation between total fund balance and total net position as reported in the government-wide statement of net position. The details of the aggregated differences are presented below.

Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

G.O Bonds payable	\$ (58,530,000)
Unamortized bond premiums	(3,139,732)
Deferred outflows on refunding	2,323,243
Loans payable	(1,511,212)
Accrued interest payable	(199,821)
Compensated absences	(4,196,442)
Other post-employment benefits	(4,032,222)
	<u>(69,286,186)</u>

The net pension asset, net pension liability, and deferred inflows and deferred outflows are reported in the government-wide statement of net position but not in the governmental balance sheet

Net pension asset	\$ 11,084,335
Deferred outflows of resources	3,918,492
Net pension liability	(19,554,736)
Deferred inflows of resources	(6,157,844)
	<u>(10,709,753)</u>

#### **Explanation of aggregated differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

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



Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Developer/Private asset contributions	\$ 1,155,936
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position-governmental activities	\$ <u>1,155,936</u>

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, and governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities:

Principal repayments:	
General obligation bonds	\$ 12,530,000
Public Works Trust Fund Loans repayment	166,336
Amortization of debt premiums	190,951
Amortization of deferred loss on refunding	(70,780)
Proceeds from long-term debt issuance	(9,996,063)
Deferred outflows from long-term debt issuance	951,425
Net adjustment to decrease net change in fund balances-governmental funds to arrive at change in net position-governmental activities	\$ <u>3,771,869</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued interest payable	\$ 26,223
Change in compensated absences payable	(350,354)
Change in other post-employment benefits payable	(543,483)
Net adjustment to decrease net change in fund balances-governmental funds to arrive at change in net position-governmental activities	\$ <u>(867,614)</u>

### **NOTE 3:**

#### **Deposits and Investments**

##### **Deposits**

As of December 31, 2015 the carrying amount of the City's cash demand deposits with Key Bank was \$3,743,770 and the in-transit items were \$263,096. The carrying amount and bank balance of the City's cash demand deposits at U.S. Bank at December 31, 2015 was \$600,392. \$2,000,000 was held at Opus Bank certificate of deposit and \$8,049,410 was held in a public funds money market account. \$929,920 retained from contractors pending acceptance of City construction projects was held in escrow or savings accounts at various banks. \$142,055 was held at City of Redmond Client Trust Account at Wells Fargo. Petty cash totaled \$48,500, of which \$35,770 was allocated to various City offices and \$12,730 was unallocated and remains in the City's demand deposit account at Bank of America. \$10,000 is held by the City of Bellevue for use by the Eastside Narcotics Task Force.

##### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of outside party. The City of Redmond's deposits are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the City's deposits. The deposit balances over \$250,000 are insured by

the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

### Investments

The Local Government Investment Pool (LGIP) is invested in a manner generally consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Accordingly, participants' balances in the LGIP are subject to minimal interest rate risk, as the weighted average maturity of the portfolio will not exceed 60 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The fair value of the City's pool investments is determined by the pool's share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official. The City includes the LGIP as an investment for internal tracking, but it is disclosed on the financial statements as a cash equivalent.

As of December 31, 2015, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years
Federal Farm Credit Bank	32,137,890	4,999,030	27,138,860
Federal Home Loan Bank	38,014,394	10,988,150	27,026,244
Federal Home Loan Mortgage Corporation	45,823,390	9,003,630	36,819,760
Federal National Mortgage Association	25,326,703	2,996,160	22,330,543
Local Gov't Bonds	7,025,528	5,584,010	1,441,518
Treasury Notes	13,934,320	-	13,934,320
Subtotal	162,262,225	33,570,980	128,691,245
Investments reported as cash equivalents:			
Money Market (Opus)	8,049,410	8,049,410	
Certificate of Deposit (Opus)	2,000,000	2,000,000	
Local Government Investment Pool	14,444,315	14,444,315	
Subtotal	24,493,725	24,493,725	
Total	186,755,950	58,064,705	128,691,245

### Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the City's policy requires that it diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

### Credit Risk

State law and City policy limit investments to those authorized by State Statute including commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency. The City further limits its holdings in commercial paper to 10% of the portfolio and 10% per issuer, and local government bonds to 25% of the portfolio and 10% of issuer. At December 31, 2015 the City held no investments in commercial paper.

Additionally, the City restricts its investment in mutual fund bonds to be used for arbitrage purposes only.

### Concentration of Credit Risk

The City diversifies its investments by security type and institution. 100% of the City's portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. 50% of the portfolio may be invested in Certificates of Deposit with no more than 10% held by any one issuer and not exceeding 20% of the issuer's net worth. 25% of the portfolio may be invested in Bankers Acceptances (10% per issuer), State of Washington or Local Government Bonds (10% per issuer), and Repurchase Agreements (25% per dealer). 10% of the portfolio may be invested in Commercial Paper and other authorized investments. On December 31, 2015 more than five percent of the City's investments were held in Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation bonds.

Reconciliation of cash and investments by type to the statements is detailed in the following tables.

#### Cash & Investments by Type

Opus Bank-certificate of deposit	\$ 2,000,000
Opus Bank-money market	8,049,410
State Investment Pool (LGIP)	14,444,315
Key Bank Public Checking	3,743,770
Deposit in Transit less payments posted Jan 2016	77,337
Outstanding Checks at 12/31/2015	(3,643,084)
U.S. Bank	600,392
Petty Cash/Advance Travel	35,770
Wells Fargo Trust Account RCP	142,055
Contractor's Retainage Money Market	929,920
City of Bellevue - outside agency	10,000
Federal Home Loan Bank	38,014,394
Federal Farm Credit Bank	32,137,890
Federal Home Loan Mortgage Corporation	45,823,390
Federal National Mortgage Association	25,326,703
Local Gov't Bonds	7,025,528
US Treasury Notes	13,934,320
<b>Grand Total Cash &amp; Investments by Type</b>	<b>\$188,652,110</b>

	Cash & Equivalents*	Restricted Cash	Rate Stabilization Fund	Investments	Restricted Investments
<b>Governmental Funds</b>					
General Fund	\$ 4,259,863	\$ 454,814	\$ -	\$ 26,904,646	\$ 4,691,232
Capital Investments Program Fund	3,551,935	-	-	22,343,246	11,695
Other Governmental Funds	1,341,070	72,042	-	8,830,474	335
<b>Proprietary Funds</b>					
Water/Wastewater	4,620,052	16,373	4,177,811	23,827,136	1,175,500
UPD Water/Wastewater	2,548,024	32,000	1,929,266	14,308,710	-
Stormwater Management	3,938,409	7,308	-	23,198,924	1,634,409
Internal Service Funds	2,605,159	-	-	16,396,174	-
<b>Fiduciary Funds</b>					
Firefighter's Pension Fund	197,645	-	-	-	1,405,555
Agency Funds	2,745,189	-	-	-	11,427,114
	\$ 25,807,346	\$ 582,537	\$ 6,107,077	\$135,809,310	\$ 20,345,840
<b>Grand Total Cash &amp; Investments by Statements</b>					<b>\$188,652,110</b>

## **NOTE 4:**

### **Governmental Fund Balances**

Governmental fund balances are classified as either spendable or non-spendable. Spendable fund balances are further categorized as restricted, committed, assigned, and unassigned. Restricted amounts are restricted by contract or grant document, committed amounts committed by codification by the City Council and the assigned are assigned by action by the City's mayor or department director based on delegated authority. The breakdown of what makes up each of the fund balance categories from the governmental Balance Sheet that is designated for a particular purpose is shown below.

#### **Restricted For:**

Advance life support	\$	1,273,492
Cable access		1,014,487
Capital projects		18,383,684
Debt service		1,065,607
Fire		2,018,375
Parks		618,017
Planning-transportation		731,630
Police		4,468,315
Reserves		454,814
Solid waste recycling		660,952
Tourism		579,883
Total	\$	31,269,256

#### **Committed For:**

Arts	\$	172,925
Capital equipment replacement		3,074,935
Development Review		662,619
Fire equipment		5,000,076
Parks maintenance		1,165,336
Police		8,500
Recreation activities		774,608
Travel		20,000
Total	\$	10,878,999

#### **Assigned For:**

Capital assets	\$	12,109,050
Community events		39,946
Maintenance		1,353,939
Human services fund		25,640
Parks		16,253
Real Property Fund		13,247
Reserves		6,576,638
Transportation		2,653,580
Business tax		340,037
Total	\$	23,128,330

## **NOTE 5: Receivables**

### **Property Taxes**

The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed on a daily basis.

#### **Property Tax Calendar**

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

Property taxes are recorded as a receivable when levied. During the year, property tax revenues are recognized when cash is received. At year-end, property tax revenues are recognized for December collections to be distributed by the county treasurer in January and February.

Under Washington State law a city may levy property taxes up to \$3.60 per \$1,000 of assessed valuation. The assessed value was \$15,887,420,578 for the City in 2015.

The City of Redmond's maximum property tax levy rate has been reduced from \$3.60 to \$3.10, or \$.50, as a result of annexing to the King County Library District in May, 1990. In addition to the limitation previously noted, the City's levy rate is also subject to the following:

Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year or IPD, whichever is less, after adjustments for new construction and annexations, unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.

The Washington State Constitution limits the total regular property tax levy to a maximum of one percent of assessed valuation or \$10 per \$1,000 of the market value of a property. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

Accordingly, the City levied \$1.49 per \$1,000 of assessed value for general governmental services and no additional voter-approved excess tax levy.

## NOTE 6: Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government</b>				
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 100,567,769	\$ 27,578,450	\$ (1,681,919)	\$ 126,464,300
Construction in Progress	20,013,290	20,529,488	(22,917,016)	17,625,762
Art	549,078	-	(200)	548,878
Total capital assets, not being depreciated	<u>\$ 121,130,137</u>	<u>\$ 48,107,938</u>	<u>\$ (24,599,135)</u>	<u>\$ 144,638,940</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	\$ 75,668,934	\$ 526,775	\$ -	\$ 76,195,709
Improvements Other than Buildings	30,883,565	2,412,918	-	33,296,483
Machinery and Equipment	28,260,486	2,304,591	(1,596,553)	28,968,524
Infrastructure	241,125,830	20,201,396	(660,260)	260,666,966
Total capital assets, being depreciated	<u>\$ 375,938,815</u>	<u>\$ 25,445,680</u>	<u>\$ (2,256,813)</u>	<u>\$ 399,127,682</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	\$ (19,594,062)	\$ (1,580,560)	\$ -	\$ (21,174,622)
Improvements Other than Buildings	(12,329,578)	(1,071,824)	-	(13,401,402)
Machinery and Equipment	(17,916,784)	(2,071,539)	1,454,893	(18,533,430)
Infrastructure	(89,936,886)	(5,324,162)		(95,261,048)
Total accumulated depreciation	<u>\$ (139,777,310)</u>	<u>\$ (10,048,085)</u>	<u>\$ 1,454,893</u>	<u>\$ (148,370,502)</u>
Total capital assets, being depreciated, net	<u>\$ 236,161,505</u>	<u>\$ 15,397,595</u>	<u>\$ (801,920)</u>	<u>\$ 250,757,180</u>
Governmental activities capital assets, net	<u>\$ 357,291,642</u>	<u>\$ 63,505,533</u>	<u>\$ (25,401,055)</u>	<u>\$ 395,396,120</u>

### NET INVESTMENT IN CAPITAL ASSETS

Governmental Activities	
Capital assets not being depreciated	\$ 144,638,940
Capital assets being depreciated	399,127,682
Less accumulated depreciation	(148,370,502)
Less GO Bonds	(58,530,000)
Less bond premium	(3,139,732)
Less Public Works Trust Fund loans	(1,511,212)
Plus deferred outflow on refunding bonds	<u>2,323,243</u>
Governmental Activities, net investment in capital assets	<u>\$ 334,538,419</u>

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

Governmental Activities		
General Government	\$	1,323,654
Security		1,168,502
Physical Environment		22,116
Transportation, Including Depreciation of General Infrastructure Assets		6,326,135
Economic Environment		70,823
Culture and Recreation		1,136,855
Total Depreciation Expense – Governmental Activities	\$	<u>10,048,085</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 22,148,078	\$ 3,472,196	\$ -	\$ 25,620,274
Construction In Progress	39,095,842	20,028,891	(48,128,279)	10,996,454
Total Capital Assets, Not Being Depreciated	<u>61,243,920</u>	<u>23,501,087</u>	<u>(48,128,279)</u>	<u>36,616,728</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	37,958,924	-	-	37,958,924
Improvements Other Than Buildings	297,614,622	49,728,814	(598,768)	346,744,668
Machinery and Equipment	860,925	746,342	(149,342)	1,457,925
Total Capital Assets, Being Depreciated	<u>336,434,471</u>	<u>50,475,156</u>	<u>(748,110)</u>	<u>386,161,517</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	(6,873,430)	(759,179)	-	(7,632,609)
Improvements Other Than Buildings	(71,854,691)	(6,175,428)	280,626	(77,749,493)
Machinery and Equipment	(593,359)	(37,206)	93,137	(537,428)
Total Accumulated Depreciation	<u>(79,321,480)</u>	<u>(6,971,813)</u>	<u>373,763</u>	<u>(85,919,530)</u>
Total Capital Assets, Being Depreciated, Net	<u>257,112,991</u>	<u>43,503,343</u>	<u>(374,347)</u>	<u>300,241,987</u>
Business-Type Activities Capital Assets, Net	<u>\$ 318,356,911</u>	<u>\$ 67,004,430</u>	<u>\$ (48,502,626)</u>	<u>\$ 336,858,715</u>

#### NET INVESTMENT IN CAPITAL ASSETS

Business-Type Activities	
Capital assets not being depreciated	\$ 36,616,728
Capital assets being depreciated	386,161,517
Less accumulated depreciation	(85,919,530)
Less Revenue bonds	(29,170,000)
Less bond premium	(3,194,707)
Unspent bond proceeds	<u>-</u>
Business-Type Activities, net investment in capital assets	<u>\$ 304,494,008</u>

Depreciation expense was charged to Business-Type Activities as follows:

Business-Type Activities	
Water/Wastewater	\$ 3,921,509
UPD Water/Wastewater	1,357,549
Stormwater	1,692,755
Total Depreciation Expense – Business-type Activities	<u>\$ 6,971,813</u>

The Business-Type Activities also had \$23,487 in amortization expense that is included with depreciation expense in the financial statements.



## **Note 7:**

### **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 2015:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ 27,006,967
Pension assets	\$ 11,084,335
Deferred outflows of resources	\$ 4,827,859
Deferred inflows of resources	\$ 7,297,288
Pension expense/expenditures	\$ 2,555,672

#### **State Sponsored Pension Plans**

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

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

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

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

#### **Public Employees' Retirement System (PERS)**

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

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

#### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense



component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The City's actual contributions to the plan were \$1,420,634 for the year ended December 31, 2015.

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

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

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

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

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The City's actual contributions to the plan were \$1,793,969 for the year ended December 31, 2015.

## Public Safety Employees' Retirement System (PSERS)

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

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

PSERS membership includes:

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

PSERS covered employers include:

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

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

### Contributions

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

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

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

The City's actual contributions to the plan were \$15,556 for the year ended December 31, 2015.

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

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

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

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

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

### Contributions

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

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

### Contributions

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

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
State and local governments	5.23%	8.41%
Ports and Universities	8.59%	8.41%

The City's actual contributions to the plan were \$1,345,836 for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding

situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

## Actuarial Assumptions

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

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

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

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

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

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

## Discount Rate

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

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

## Long-Term Expected Rate of Return

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

returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

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

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

### Sensitivity of NPL

The table below presents the City'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 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	\$ 17,658,350	\$ 14,503,747	\$ 11,791,078
PERS 2/3	36,510,478	12,486,262	(5,908,179)
PSERS 2	128,855	16,958	(62,640)
LEOFF 1	(472,727)	(738,921)	(965,802)
LEOFF 2	9,319,560	(9,306,205)	(23,322,800)

### 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 December 31, 2015, the City reported a total pension liability of \$27,006,967 for its proportionate share of the net pension liabilities and a total pension asset of \$10,045,126 for its proportionate share of the net pension assets as follows:

	Liability or (Asset)
PERS 1	\$ 14,503,747
PERS 2/3	\$ 12,486,262
PSERS 2	\$ 16,958
LEOFF 1	(\$ 738,921)
LEOFF 2	(\$ 9,306,205)

The amount of the 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 asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	Asset
LEOFF 2 – employer’s proportionate share	\$ (9,306,205)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	\$ (6,153,272)
TOTAL	\$ (15,459,477)

At December 31, the City’s proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.279429%	0.277269%	-0.002160%
PERS 2/3	0.344517%	0.349456%	0.004939%
PSERS 2	0.090607%	0.092909%	0.002302%
LEOFF 1	0.058235%	0.061310%	0.003075%
LEOFF 2	0.863922%	0.905449%	0.041527%

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

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

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

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

## Pension Expense

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

	Pension Expense
PERS 1	\$ 724,178
PERS 2/3	\$ 1,524,068
PSERS 2	\$ 20,238
LEOFF 1	\$ (169,600)
LEOFF 2	\$ 495,003
TOTAL	\$ 2,593,887



## Deferred Outflows of Resources and Deferred Inflows of Resources

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

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 793,513
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 782,882	\$ -
<b>TOTAL</b>	<b>\$ 782,882</b>	<b>\$ 793,513</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,327,293	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 3,333,241
Changes of assumptions	\$ 20,118	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 158,920	\$ -
Contributions subsequent to the measurement date	\$ 1,004,273	\$ -
<b>TOTAL</b>	<b>\$ 2,510,604</b>	<b>\$ 3,333,241</b>

<b>PSERS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 15,887	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 8,411
Changes of assumptions	\$ 105	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 7,253	\$ -
<b>TOTAL</b>	<b>\$ 23,245</b>	<b>\$ 8,411</b>

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 124,744
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 124,744</b>

<b>LEOFF 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 814,913	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 2,819,731
Changes of assumptions	\$ 24,547	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 217,648
Contributions subsequent to the measurement date	\$ 671,668	\$ -
<b>TOTAL</b>	<b>\$ 1,511,128</b>	<b>\$ 3,037,379</b>

<b>TOTAL OF ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,158,093	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 7,079,640
Changes of assumptions	\$ 44,770	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 158,920	\$ 217,648
Contributions subsequent to the measurement date	\$ 2,466,076	\$ -
<b>TOTAL</b>	<b>\$ 4,827,859</b>	<b>\$ 7,297,288</b>

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, 2016. 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	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2	Total
2016	(307,538)	(858,249)	(691)	(48,405)	(982,698)	(2,197,581)
2017	(307,538)	(858,249)	(691)	(48,405)	(982,698)	(2,197,581)
2018	(307,538)	(858,250)	(692)	(48,405)	(982,707)	(2,197,592)
2019	129,101	747,839	4,326	20,471	606,682	1,508,419
2020			2,666		119,587	122,253
2021			2,663		23,915	26,578
<b>Total</b>	<b>(793,513)</b>	<b>(1,826,909)</b>	<b>7,581</b>	<b>(124,744)</b>	<b>(2,197,919)</b>	<b>(4,935,504)</b>

### Firefighters' Pension Plan

The City is the administrator of the Firefighters' Pension Plan (FPP), a single-employer defined benefit pension plan established in conformance with Revised Code of Washington (RCW) 41.18. The Pension Board consists of five members: the Mayor, who is the chairman of the board, the City Clerk, the City Treasurer, and two regularly employed firefighters elected by secret ballot of the firefighters, each of whom serve two-year terms. Costs of administering the Plan are paid from the Firefighters' Pension Plan. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Retirement benefit provisions are established in state statute and may be amended only by the State Legislature. Membership is limited to firefighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the FPP for covered firefighters who retire after March 1, 1970. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan.

At December 31, 2015, there are two inactive plan members currently receiving benefits, one inactive plan member not receiving benefits because LEOFF benefits exceed those provided by FPP, and there are no active plan members. The pension plan is closed to new entrants.

Under State law, the FPP is provided an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums, interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pension obligations. These on-behalf tax revenues were recognized in the general fund and expensed out to the Firefighters' Pension Plan. The fire insurance premium for 2015 was \$146,358, which was sufficient to pay the 2015 Firefighter's Pension Plan expenses of \$33,966.

The financial activity of the Firefighters' Pension Plan is presented in the Statement of Net Position – Fiduciary Funds, and the Statement of Changes in Net Position – Fiduciary Funds. No separate stand-alone financial report is issued for the Firefighters' Pension Plan. Although the City administers the pension plan, it is funded 100% by a percentage of the tax on fire insurance premiums which is received from the state annually.

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 the Firefighters' Pension Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

### Investment Policy

The Firefighter's Pension Plan follows the City's policy to invest temporary cash surpluses. These investments are reported on the Statement of Net Position - Fiduciary Funds as cash and cash equivalents or investments. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, investments with the Local Government Investment Pool, investments in U.S. Government Mutual

Funds and investments with original maturities of three months or less. Interest is allocated to the fund on the basis of investments owned.

In accordance with City policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, Bankers' Acceptances, Bonds of Washington State and any local government in Washington State which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State Investment Pool (which is a 2a7-like pool), and mutual funds used specifically for debt issues related to arbitrage.

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments including the Firefighter's Pension Plan are stated at fair value.

The City reports its deposit and investment risk disclosures in accordance with GASB 40. See Note 4 – Cash and Investments for detail.

**Net Pension Liability**

The Net Pension Liability for the Firefighters' Pension Plan was measured as of January 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the City's net pension liability (asset) for the Firefighters' Pension Plan at December 31, 2015 are as follows:

Total pension liability	\$ 567,121
Less: Plan fiduciary net position	1,606,330
City's net pension liability (asset)	<u>\$ (1,039,209)</u>
Plan fiduciary net position as a percentage of the total pension liability	283.24%

**City of Redmond  
Firefighter's Pension Plan  
Changes in Net Pension Liability**

<b>Firefighters' Pension Plan</b>	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balances at 1/1/2015</b>	\$ 483,433	\$ 1,484,427	\$ (1,000,994)
<b>Changes for the year:</b>			-
Service Cost	-	-	-
Interest	15,014	-	15,014
Changes in benefit terms	-	-	-
Differences between expected and actual experience	97,140	-	97,140
Changes of assumptions	-	-	-
Contributions – employer	-	146,358	(146,358)
Contributions – employees	-	-	-
Net investment income	-	9,511	(9,511)
Benefit payments, including refunds of contributions	(28,466)	(28,466)	-
Administrative expense	-	(5,500)	5,500
Other changes	-	-	-
<b>Net changes</b>	<b>83,688</b>	<b>121,903</b>	<b>(38,215)</b>
<b>Balance at 12/31/2015</b>	<b>567,121</b>	<b>1,606,330</b>	<b>(1,039,209)</b>

The Schedule of Changes in Net Pension Liability and Schedule of Contributions presented in Required Supplementary Information following the notes to the financial statements presents ten-year trend information about whether the net pension liability (asset) is increasing or decreasing over time and the factors affecting the changes.

#### **Annual Money-weighted Rate of Return**

For 2015, the money-weighted rate of return for the Firefighter's Pension Plan investments was 0.62%. The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The Schedule of Investment Returns presented in Required Supplementary information following the notes to the financial statements presents ten-year trend information for the annual money-weighted rate of return.

#### **Discount Rate and Investment Earnings**

The discount rate is the single rate that reflects (1) the long-term expected rate of return on pension plan investments that are expected to be used to finance payment of benefits, to the extent that the pension Plan's Fiduciary net Position is projected to be sufficient to make projected benefit payments and pension plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that conditions for use of the long-term expected rate of return are not met. Since the Fiduciary net Position is projected to be positive in all future years, the discount rate is equal to the Investment Earnings assumption of 3.2%.

### Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Firefighters' Pension Plan, calculated using the discount rate of 3.2%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.2%) or 1-percentage-point higher (4.2%) than the current rate:

	<u>1% Decrease (2.2%)</u>	<u>Current Discount Rate (3.2%)</u>	<u>1% Increase (4.2%)</u>
City's net pension liability (asset)	\$ (971,153)	(1,039,209)	\$(1,100,774)

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases (inflation only)	3.5%
Investment earnings	3.2%
Growth in membership	0.0%
Postretirement benefit increases	
Related to salaries	3.5%
Related to Consumer Price Index	2.5%
Actuarial Cost Method	Entry Age Normal
Valuation of Assets	Market value basis

Future fire insurance premium tax revenues are assumed to increase at the rate of 2.5% per year and are assumed to stop after 2020.

Mortality rates were based on the RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females (set forward two years for disabled members).

### Municipal Employees Benefit Trust

By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418 (g) effective January 1, 1975. Permanent employees working 1,040 or more hours per year are eligible but not required to participate in the plan. Temporary employees working less than 1,040 hours per year are required to participate in the plan. Participating permanent employees may choose to defer income tax in accordance with Internal Revenue Code Section 401K, on all, part or none of their contribution while temporary employees may not defer income tax on any of their contribution. There were 808 permanent and 281 temporary participants with account balances at December 31, 2015.

The Municipal Employees Benefit Trust Plan is a defined contribution plan with participants contributing an amount equal to the current Social Security rate (7.65%). One hundred percent of the contributions made by employees hired before April 1, 1986 go to MEBT. Employees hired on or after April 1, 1986 contribute 6.2% to MEBT and 1.45% to Medicare. Permanent employees may make additional contributions up to the limit set by the Internal Revenue Code. The City contributes 7.65% for permanent employees and 4.75% for temporary employees. Of the City's contribution, 1.45% goes to Medicare for employees hired on or after April 1, 1986. Eighty percent of the remaining City contribution goes to MEBT and 20% to administrative fees. The City's contribution is based on the payroll for all employees who are eligible to participate in the plan, regardless of the number of participants. The City's payroll for participating employees in 2015 was \$54,978,760. Employee contributions were \$3,465,753. City contributions were \$3,465,753. The City's total payroll was \$60,951,259.

Plan assets consisting of stocks, bonds, and guaranteed insurance contracts, are not the property of the City and are not subject to the claims of the City's general creditors. The Plan is administered by the Plan Committee consisting of seven employee members appointed by the City. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the City and all applicable IRS regulations. Plan provisions may be established or amended by a majority vote of the Plan Committee. Employees who elect not to participate in the

Municipal Employees Benefit Trust plan retain the disability and survivor income insurance provided by the Standard Insurance Company.

Actuarial determinations are not required because (1) long term disability insurance and survivor income insurance are provided by a group insurance policy with Standard Insurance Company, and (2) each participant shall at his normal retirement date instruct the Plan Committee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay retirement benefits in monthly or annual installments (no contributions by the City or the participant shall be added to his account after retirement), (c) pay a single sum in cash, or (d) elect to defer any or all retirement benefits to a later date.

## **NOTE 8:**

### **Other Postemployment Benefits**

#### **Plan Description**

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members' necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the City's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

#### **Funding Policy**

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

#### **Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2009. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of \$4,032,224 is included as a noncurrent liability on the Statement of Net Position.

	Fiscal Year Ending 12/31/2013	Fiscal Year Ending 12/31/2014	Fiscal Year Ending 12/31/2015
Determination of Annual Required Contribution:			
1-Annual Normal Cost (BOY)	\$ 57,908	\$ 57,908	\$ 40,376
2-Amortization of UAAL (BOY)	849,114	849,114	1,024,563
3-Interest to EOY [(1) + (2)] x (i)*	36,281	36,281	37,273
4-ARC at EOY [(1)+(2)+(3)]	<u>\$ 943,303</u>	<u>\$ 943,303</u>	<u>\$ 1,102,212</u>
5-Interest on Net OPEB Obligation	\$ 107,472	\$ 124,607	\$ 122,106
6-Adjustment to ARC	161,640	191,739	209,907
7-Annual OPEB Cost [(4)+(5)-(6)]	<u>\$ 889,135</u>	<u>\$ 876,171</u>	<u>\$ 1,014,411</u>
8-Employer Contributions	460,757	502,601	470,928
9-Change in Net OPEB Obligation [(7) – (8)]	428,378	373,570	543,483
10-Net OPEB Obligation-BOY [(11) prior year]	<u>\$ 2,686,793</u>	<u>\$ 3,115,171</u>	<u>\$ 3,488,741</u>
Net OPEB Obligation-end of year [(9) + (10)]	<u>\$ 3,115,171</u>	<u>\$ 3,488,741</u>	<u>\$ 4,032,224</u>

\* 'i' is the assumed interest rate that year: 4.0% in 2013, 4.0% in 2014, 4.0% in 2015.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended		Annual OPEB Cost	Contribution as a Percentage of OPEB Cost		Net OPEB Obligation
12/31/2013	\$	889,135	52%	\$	3,115,171
12/31/2014	\$	876,171	57%	\$	3,488,741
12/31/2015	\$	1,014,411	46%	\$	4,032,224

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The City's funding progress, the accrued liability for benefits, the actuarial value of the assets, the unfunded actuarial accrued liability (UAAL), the covered payroll, and the UAAL as a percentage of covered payroll for 2015 and preceding years were as follows:

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
Dec. 31, 2006	-	8,512,284	8,512,284	0	764,518	1,113%
Dec. 31, 2007	-	8,512,284	8,512,284	0	557,587	1,527
Dec. 31, 2008	-	8,512,284	8,512,284	0	446,200	1,908
Dec. 31, 2009	-	9,290,267	9,290,267	0	442,308	2,100
Dec. 31, 2010	-	9,430,652	9,430,652	0	461,106	2,045
Dec. 31, 2011	-	9,549,490	9,549,490	0	480,703	1,987
Dec. 31, 2012	-	14,420,000	14,420,000	0	262,000	5,504
Dec. 31, 2013	-	14,664,000	14,664,000	0	249,000	5,889
Dec. 31, 2014	-	14,893,000	14,893,000	0	249,000	5,981
Dec. 31, 2015	-	17,029,000	17,029,000	0	23,000	74,039

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

### Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 3.50% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 7.4% in 2015, grading down to an ultimate rate of 4.1%, was used along with a long-term care inflation rate of 4.75%.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2015 was 24 years.

## Note 9: Construction Commitments

At December 31, 2015 the City had significant contractual obligations on construction projects:

(In thousands)	
Transportation Projects	\$1,825
Transportation Maintenance	139
General Government	4,539
Parks	49
Utilities Projects	554
<b>Total</b>	<b>\$7,106</b>

## Note 10: Interfund Transfers

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, to move receipts for debt service from the fund collecting the receipts to a debt service fund as debt service payments become due, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers at December 31, 2015 were as follows:

		Transfer from				
		General Fund	Capital Investments Program Fund	Other Governmental Funds	Internal Service Funds	Total
<b>Transfer to</b>	General Fund	\$ -	\$ 2,961,300	\$ 137,863	\$ 135,638	\$ 3,234,801
	Capital Investments Program Fund	2,462,356	-	7,947,283	-	10,409,639
	Other Governmental Funds	5,696,007	85,000	-	-	5,781,007
	<b>Total</b>	<b>\$ 8,158,363</b>	<b>\$ 3,046,300</b>	<b>\$ 8,085,146</b>	<b>\$ 135,638</b>	<b>\$ 19,425,447</b>

## Note 11: Long-Term Obligations

### General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds have been issued for general government activities and are being repaid from debt service funds.

In 2013 the City issued \$33,085,000 in limited tax general obligation refunding bonds with an interest rate of 3.75% to advance refund \$32,760,000 of outstanding 2004 Limited Tax General Obligation Lease Revenue Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$1,530,533. This amount is being charged to operations through the year 2035 using the straight-line method. The remaining balance of \$1,373,629 is reported as a deferred outflow in the statement of net position.

In November, 2015, the City Council of the City of Redmond adopted ordinance 2809, providing for the issuance of two series of Limited Tax General Obligation and Refunding Bonds in the aggregate principal amount of not to exceed \$31,000,000 to provide funds to finance the costs of transportation improvements, to refund certain outstanding limited tax general obligations of the City, and to finance costs of issuance of each series of bonds. In



December, 2015, the City issued \$9,280,000 in limited tax general obligation refunding bonds with an interest rate of 3.00% to advance refund \$8,940,000 of outstanding 2008 Limited Tax General Obligation Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$951,425. This amount is being charged to operations through the year 2035 using the straight-line method. The remaining balance of \$949,614 is reported as a deferred outflow in the statement of net position.

As discussed in Note 19 – Subsequent Events, the City issued an additional \$17,630,000 in Limited Tax General Obligation and Refunding Bonds in January 2016.

General obligation bonds outstanding at December 31, 2015 are as follows:

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2015
2008 LTGO Bonds	9/4/2008	12/1/2028	4.0% - 5.0%	\$ 33,935,000	\$ 17,695,000	\$ 16,240,000
2011 LTGO Bonds	3/16/2011	12/1/2021	2.0% - 4.5%	8,035,000	3,345,000	4,690,000
2013 LTGO Refunding Bonds	9/12/2013	12/1/2035	1.75% - 5.0%	33,085,000	4,765,000	28,320,000
2015 LTGO Refunding Bonds	12/15/2015	12/1/2028	3.0%	<u>9,280,000</u>	<u>0</u>	<u>9,280,000</u>
Total General Obligation Bonds				\$ <u>84,335,000</u>	\$ <u>25,805,000</u>	\$ <u>58,530,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities		
Year Ending December 31	Principal	Interest
2016	3,720,000	2,387,648
2017	3,850,000	2,275,638
2018	3,970,000	2,153,438
2019	4,095,000	2,027,038
2020	4,290,000	1,833,825
2021-2025	16,805,000	6,606,088
2026-2030	13,575,000	3,144,269
2031-2035	<u>8,225,000</u>	<u>1,140,444</u>
	<u>\$ 58,530,000</u>	<u>\$ 21,568,388</u>

## Revenue Bonds

The City issues revenue bonds to finance construction projects for the City's utilities. Revenue bonds are payable from revenues generated by the user fees, and are backed by the Water/Wastewater and Stormwater utilities. Revenue bonds generally require a cash reserve be maintained of 120% of the current portion of revenue bonds payable, plus interest.

Revenue bonds outstanding at year end are as follows:

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2015
2008 Water/ Wastewater Bonds	12/3/2008	12/1/2023	4.0% - 5.0%	\$ 11,755,000	\$ 4,500,000	\$ 7,255,000
2014 Stormwater Bonds	7/24/2014	12/1/2034	3.26% - 4.25%	<u>\$ 22,950,000</u>	<u>\$ 1,035,000</u>	<u>\$ 21,915,000</u>
Total Revenue Bonds				\$ <u>34,705,000</u>	\$ <u>5,535,000</u>	\$ <u>29,170,000</u>



Annual debt service requirements to maturity for revenue bonds are as follows:

Business-type Activities		
Year Ending December 31	Principal	Interest
2016	1,540,000	1,339,048
2017	1,590,000	1,286,598
2018	1,650,000	1,224,198
2019	1,710,000	1,158,098
2020	1,795,000	1,087,535
2021-2025	8,125,000	4,153,650
2026-2030	6,395,000	2,461,550
2031-2035	6,365,000	719,490
	<u>\$ 29,170,000</u>	<u>\$ 13,430,167</u>

### Public Works Trust Fund Loans

The City's governmental activities currently have two State of Washington Public Works Trust Fund Loans with principal outstanding of \$1,511,212. The interest rates are 0.25% and 1.00%. These loans are considered obligations of the general government and are being repaid from General Fund revenues which are transferred to the Capital Investments Program Fund where the loan payments are recorded.

The City's business type activities currently have one on State of Washington Public Works Trust Fund Loan outstanding. In 2012 the City Council of the City of Redmond adopted the Resolution #1371 in 2012 accepting a Washington State Department of Ecology (DOE) loan for funding towards the Redmond Way Water Quality Facility. The loan amount of \$4,412,000 was drawn down on September 2, 2015. The loan bears interest at the rate of 2.6% per annum, calculated on the basis of a 365 day year. The final loan amount will be repaid from the City's utility funds in equal installments semiannually over a term of twenty years.

Public Works Trust Fund Loans outstanding at December 31, 2015 are as follows:

Year Ending	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 94,451	\$ 3,778	\$ 140,338	\$ 152,356
2017	94,451	3,542	182,210	110,483
2018	94,451	3,306	187,005	105,689
2019	94,451	3,070	191,925	100,769
2020	94,451	2,834	196,975	95,719
2021-2025	472,254	10,626	1,065,399	398,070
2026-2030	472,254	4,723	1,213,136	250,332
2031-2035	94,449	236	1,235,012	82,109
	<u>\$1,511,212</u>	<u>\$ 32,115</u>	<u>\$4,412,000</u>	<u>\$1,295,527</u>

## Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
G.O. Bonds	\$ 61,780,000	\$ 9,280,000	\$ (12,530,000)	\$ 58,530,000	\$ 3,720,000
Premiums	2,614,620	716,063	(190,951)	3,139,732	-
Total bonds payable	64,394,620	9,996,063	(12,720,951)	61,669,732	3,720,000
PWTF loans	1,677,548	-	(166,336)	1,511,212	94,451
Other post-employment benefits payable	3,488,739	543,483	-	4,032,222	-
Compensated absences	4,060,049	4,255,491	(3,860,007)	4,455,533	3,564,425
Net pension liability	-	21,885,095	-	21,885,095	-
Governmental activity long-term liabilities	\$ 73,620,956	\$ 36,680,132	\$ (16,747,294)	\$ 93,553,794	\$ 7,378,876
<b>Business-Type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 30,660,000	\$ -	\$ (1,490,000)	\$ 29,170,000	\$ 1,540,000
For issuance premiums	3,380,461	-	(185,755)	3,194,706	-
Total Bonds Payable	34,040,461	-	(1,675,755)	32,364,706	1,540,000
PWTF loans	-	4,412,000	-	4,412,000	-
Compensated absences	540,377	356,802	(333,684)	563,495	450,796
Net pension liability	-	5,121,872	-	5,121,872	-
Business-type activity long-term liabilities	\$ 34,580,838	\$ 9,890,674	\$ (2,009,439)	\$ 42,462,073	\$ 1,990,796

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$2,330,359 of internal service funds net pension liability and \$259,087 of internal service funds compensated absences are included in the above amounts. Compensated absences for governmental activities are liquidated in the governmental fund from which the employee's salary is paid. Governmental funds typically used to liquidate compensated absences are the General Fund, Recreation Activities Fund, Advanced Life Support Fund, and the Recycling Fund.

### Arbitrage

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when it is due and payable. The City had no arbitrage excess earnings liability in 2015.

Additional information on the City's long-term liabilities is provided in the City's Debt Manual which is available at:

<http://www.redmond.gov/Government/FinancesandBudget/FinancialReports/>.

## **NOTE 12:**

### **Leases**

#### **Operating Leases:**

##### Copier Leases

Operating lease obligations are primarily for rental of copy machines. Total expenditures for leases were \$11,543 for the year ended December 31, 2015.

The future minimum lease payments are as follows:

Year Ending December 31	Amount
2016	\$ 11,543
2017	11,543
2018	11,543
2019	8,174
Total	<u>\$ 42,803</u>

## **Note 13:**

### **Component Units**

#### **Component Units Reported in Fiduciary Fund Statements**

Redmond Community Facilities District 2014-1 (District) is a special purpose district formed on July 15, 2014 by Resolution No. 1411 of the City Council of the City of Redmond, Washington. RCW 36.145 authorizes cities to form community facilities districts when the owners of one hundred percent (100%) of the land to be included in the district petition the city to do so. In May 2014 the City of Redmond received a petition from Microsoft Corporation to form a community facilities district for the purpose of financing the construction of a pedestrian/bicycle bridge over SR 520 at the Overlake Transit Station and the construction of canopy coverage for waiting areas at the Overlake Transit Station.

The District is an independently governed, special purpose district, vested with the corporate authority included under Article VII, section 9 of the state Constitution to make local improvements by special assessments. Construction of the improvements will be financed through special assessments of \$33,300,000 levied against specific Microsoft Corporation properties. The assessment will be paid in fifteen equal annual installments, with the first installment due in November, 2015. The project will be advance-funded by Microsoft in annual installments between December 2014 and December 2017. The design and construction of the project elements will be administered by Sound Transit. Sound Transit has agreed to pay any cost of the improvements in excess of the assessed amounts. Upon completion of construction in 2020, ownership of the improvements will be transferred to the City of Redmond.

The CFD is reported as a component unity of the City of Redmond because the CFD was formed by the City for the sole purpose of levying special assessments to finance the construction of the pedestrian bridge that, upon completion, will be transferred to the City of Redmond. The District's Board of Supervisors consists of three members of the Redmond City Council and two representatives nominated by the petitioner. The City Finance Director is the Treasurer for the District, and City staff provides fiduciary, accounting and reporting services to the District. Because the City cannot use the resources of the CFD to support its programs, bears no financial obligations related to the CFD or its projects, and does not have the ability to impose its will on the CFD, the City acts in a fiduciary capacity only. Therefore, the District is reported in the fiduciary fund statements in the City of Redmond's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2015.

Questions concerning the CFD or requests for financial statements may be addressed to Redmond Community Facilities District Treasurer, c/o Director of Finance & Information Services, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

## **NOTE 14:**

### **Joint Ventures and Operations**

#### **Water Storage and Pumping Facility**

In February 1990, the City of Redmond joined with the City of Bellevue to construct, operate, and maintain a joint-use water storage and pumping facility located on the common boundary of the two cities. The City of Redmond has an undivided interest in the facility of 44%, and the City of Bellevue has an undivided interest of 56%. The City of Redmond's share of costs to construct the joint-use facility totaled \$2,078,539 and is reported on the business-type activity financial statements as improvements other than buildings. The City recognizes depreciation expense annually. Accumulated depreciation totals \$1,529,804 with a net book value of \$548,735. The city reimbursed the City of Bellevue \$36,430 for its share of operating costs in 2015.

Budget monitoring information can be obtained from the City of Bellevue Budget Department, 450 – 110<sup>th</sup> Avenue NE, Bellevue, WA 98004.

#### **Cascade Water Alliance**

In April 1999, the City of Redmond entered into an interlocal agreement with seven other water providers in the region to create the Cascade Water Alliance. The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's members in a cost-effective and environmentally responsible manner.

The Alliance is governed by a Board of Directors consisting of one individual representative appointed by resolution of the member's legislative authority. Each member entity must pay annual dues based on the number of units served by the water system within their jurisdiction. The City of Redmond's dues for 2015 were \$573,763. The City of Redmond also paid the Alliance \$1,981,650 in 2015 for Regional Capital Facilities Charges (RCFCs) for new hookups to the water system that Redmond collected from new customers.

A member may withdraw from the Alliance with a resolution of its legislative authority expressing such intent. The Board will then determine the withdrawing member's obligations to the Alliance, as well as the withdrawing member's allocable share of the Alliance's then-existing obligations. The member's withdrawal shall be effective upon payment of obligations. Members do not hold legal ownership rights in any assets owned by the Alliance.

In 2011, the CWA's Board passed a resolution offering to purchase the outstanding RCFCs credits from its members at a discounted rate. These credits were awarded to its members who transferred or retained an independent water supply in excess of its needs. The Alliance's members were allowed to use such credits to apply against future RCFCs. The CWA offered to buy out the RCFC credits at \$2,500 per Cascade Equivalent Residential Unit (CERU) from its members. The City of Redmond chose the one-time redemption option. The payment was finalized and the total of \$ 3,076,875 was sent to the City of Redmond in December 2012. Such receipt was reported as capital contributions in the city's Water/Wastewater fund on the proprietary funds' Statement of Revenues, Expenses, and Changes in Fund Net Position. These monies will be held to be used to call the outstanding revenue bonds issued in 2008 when these become callable in 2019.

Audited financial information can be obtained from Cascade Water Alliance, 520 - 112th Avenue NE, Suite 400, Bellevue, WA 98004.

#### **Eastside Narcotics Task Force (ENTF)**

The Eastside Narcotics Task Force (ENTF) was formed by the Cities of Redmond, Bellevue, Kirkland, Mercer Island, and Issaquah in 1981 for the purpose of mutual support in the fight against drug crimes. In 1990, ENTF engaged the support services of King County Prosecutor's Office. The King County Sheriff's Office joined ENTF in 2002 to also provide support in the fight against drug crimes. On May 3<sup>rd</sup>, 2010, the ENTF amended the Interlocal Cooperative Agreement to include the Washington State Patrol. As of October of 2009, Issaquah

permanently withdrew its ENTF membership. The US Postal Service joined ENTF on October 1<sup>st</sup>, 2013. Mercer Island and the King County Sheriff's Office are no longer members.

The Task Force is governed by an Executive Board whose members are composed of the Chief Law Enforcement Officer, or his/her designee, from each participating jurisdiction. The Board is responsible for formulating policy, establishing annual budgets, adding members, appointing the Administering Agency, and acquiring, holding, and disposing of real and personal property, and has final approval of expenditures and disbursements of revenues (seized and forfeited assets). A Commander, who is an officer from the Bellevue Police Department with a rank of Captain or higher, is responsible for the operation and the accomplishment of the goals and objectives of the Task Force.

The City of Redmond's financial responsibility is to provide an officer, a vehicle, and to pay for the officer's ENTF travel, if required. Redmond had one detective embedded in the ENTF in 2015 due to its financial position and continues to provide one detective to the ENTF in 2016. Dissolution of the Task Force is scheduled to occur on June 30<sup>th</sup>, 2016, due to lack of funding resulting from the legalization of marijuana.

Member agencies share in the costs and proceeds of the operation of the Task Force on a percentage basis. Redmond's estimated share at 12/31/2015 is 10.3%. As of 12/31/2015, the forfeiture balance of the ENTF was \$281,848. However, there are significant expenses that ENTF has to incur prior to dissolution, which could result in a negative reserve balance. If the ENTF's reserves were negative, each member of the Task Force would need to restore that balance.

Budget monitoring information can be obtained from Eastside Narcotics Task Force, c/o Carl Krikorian, Police Fiscal Manager, Bellevue Police Department, 450 – 110<sup>th</sup> Avenue NE, Bellevue, WA 98004 or P.O. Box 90012, Bellevue, WA 98009.

### **A Regional Coalition for Housing (ARCH)**

In November 1992, the City of Redmond joined the Cities of Kirkland, Bellevue, and King County to establish A Regional Coalition for Housing (ARCH). The agreement was recently amended in 2010. Since its inception, King County, the Cities of Redmond, Bellevue, Kirkland, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Mercer Island, Newcastle, Sammamish, Woodinville, Yarrow Point, and Beaux Arts Village joined ARCH.

ARCH's purpose is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing for low and moderate-income households by combining public funding with private-sector resources. ARCH assists member governments in developing housing policies, strategies, programs, and development regulations; identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants and US Department of Housing and Urban Development's (HUD) grants.

ARCH is governed by an Executive Board composed of a Chief Executive Officer from each member. The Executive Board is responsible for review and approval of all budgetary, financial, policy and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city provides operating funding and contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. In 2015 the city contributed \$70,461 for operations or 11.113% of the total contributions for operations by all members. The City has also contributed \$150,000 to the housing trust fund. \$497,891 out of the balance has been committed to projects which leaves the remaining \$24,509 as uncommitted balance in the Trust Fund in 2015.

Members may withdraw from the ARCH agreement by giving one year's written notice to the Executive Board, by December 31<sup>st</sup> of any year, of its intention to terminate, effective December 31<sup>st</sup> of the following year. Members remain legally and financially responsible for any obligation incurred while a member of ARCH. Upon dissolution, the agreement provides for distribution of all property and assets among the members based on the percentage of the total annual contributions during the period of the agreement paid by each member. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from ARCH, c/o Art Sullivan, 16225 NE 87<sup>th</sup> Street, A-3, Redmond, WA 98052.

## **EPSCA**

The Eastside Public Safety Communications Agency (EPSCA), an emergency regional radio access service provider operation, was established on May 26, 1992, by an interlocal agreement among the Cities of Redmond, Bellevue, Kirkland, and Mercer Island. The Agreement was amended in 1993, to include the City of Issaquah as an additional Principal. EPSCA began principal operations of the 800 MHz radio system in December 1995.

EPSCA is governed by an Executive Board, which is comprised of the Chief Executive Officers of the Principals. The Executive Board is responsible for review and approval of all budgetary, financial, and contractual matters.

An Operations Committee, composed of the Chief of Police and Fire Chief of each Principal, reports to the Board and oversees budget preparation, rates, revenues, expenditures, policies and other operational issues. The Committee also includes representation from non-Principal EPSCA user agencies. EPSCA has developed an Eastside radio communications system which is integrated with a regional radio communications network. Its capital funding derives from a September 15<sup>th</sup>, 1992 voter-approved King County excess property tax levy of \$57,016,764. EPSCA's portion of the levy was \$10,004,469.

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services. The City of Redmond paid \$166,327 to EPSCA in 2015. These fees would change when the access fee rate change or when radios are added or removed from the system.

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31<sup>st</sup>, 2015, the weighted vote percentage was shown as follows:

Redmond	24.620%
Bellevue	46.529%
Kirkland	17.516%
Mercer Island	6.236%
Issaquah	5.100%

These percentages are reviewed and adjusted annually at January 1<sup>st</sup>, based on the number of radios on the system in use by current Principals as of December 31<sup>st</sup> of the preceding year. Upon dissolution, the interlocal agreement provides for distribution of assets among the Principals based on weighted voting percentages in force at the time of dissolution.

Budget monitoring and compiled financial statements for EPSCA can be obtained from EPSCA, c/o Jessie Morgan, MS PSEPS, P.O. Box 97010, Redmond, WA 98073-9710.

## **Hazardous Materials Unit and Response Team (HazMat)**

In January 1984, the City of Redmond joined the Cities of Bellevue, Kirkland, Bothell, and King County Fire Protection Districts 16 and 36 to form a Hazardous Materials Unit and Response Team (HazMat). The agreement was recently modified on July 13<sup>th</sup>, 2004. Current members are the Cities of Redmond, Bellevue, Kirkland, Bothell, Snoqualmie, along with Eastside Fire & Rescue, Woodinville Fire & Life Safety District, and King County Fire Districts 27 & 45.

The purpose of the HazMat agreement is to provide equipment and personnel for improving the quality of emergency services through development of the cooperative HazMat unit as a normal function of fire protection services.

The HazMat team is governed by a Joint Board which is composed of the Fire Chiefs of the member agencies plus one member from the HazMat team. The Joint Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. With the exception of the



member from the HazMat team, each representative on the Joint Board has a vote on all matters. The City of Bellevue has the administrative authority for operations conducted pursuant to the agreement and provides administrative and secretarial support to the Joint Board.

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of assets among the members based on the percentage of the total annual charges paid by each member during the period of the agreement.

The HazMat team has no outstanding debt or leases in 2015. Operating revenues are provided by an annual charge assessed each member based on each member's property values and number of emergency incidents.

Budget monitoring information can be obtained from Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, P.O. Box 90012, Bellevue, WA 98004.

### **Community Connectivity Consortium**

The Community Connectivity Consortium is a public corporation organized pursuant to the ordinances and approvals of the Consortium members and RCW 35.21.730 through 35.21.759 and RCW 39.34. The Consortium was created in 2011 and is governed by sixteen public agencies who are voting members: cities of Redmond, Bellevue, Kirkland, Renton, Auburn, Kent, Tukwila, Lake Washington School District, University of Washington, Bellevue College, Bellevue School District, Evergreen Hospital, Renton School District, Valley Communication Center, NORCOM, and King County. The Consortium sets the terms and conditions for sharing fiber optic installation projects, outlines how the parties will work together on fiber projects and establishes the original backbone of the Fiber Consortium network through contributions of budget, fiber assets, conduit, right of way and staff expertise. It has built over 35 miles of fiber optic cable, creating strategic connection points along the way. The partners use the fiber network to connect schools and universities to enhance learning; to connect hospitals, medical facilities and clinics to improve health care; connect government facilities for public safety, transportation and other needs; and to provide an open access network to serve the public with wireless and broadband access.

The City of Redmond petitioned to join the Consortium as a non-voting member on May 14<sup>th</sup>, 2012, and became a voting member at the following year. As a member, Redmond paid approximately \$4,000 for its annual dues in 2015. Redmond has the option to participate in fiber projects with project agreement that documents scope, roles and responsibilities, ownership, share of the overall project cost, etc. The Board can recommend new projects or services with increased dues and all members get to vote on the recommended budget each May. Besides getting the connectivity any member needs, members with similar interests may share the cost of new projects with one another. If the City decides to leave the Consortium, the assets Redmond acquired under any project agreements remains Redmond's.

For additional information, please contact Brenda Cooper, Board Chair, CIO City of Kirkland, [bcooper@kirklandwa.gov](mailto:bcooper@kirklandwa.gov).

### **North King County Regional Public Safety Communication Agency (NORCOM)**

In November 2007, the City of Kirkland, with the Cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center to the public for emergency medical services, fire and police.

In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1<sup>st</sup>, 2009, the separate dispatch operations of the Cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. The City of Redmond paid \$601,427 to NORCOM for calls for services and \$39,838 for subscriber's fees in 2015. Redmond will become a principal agency on January 1<sup>st</sup>, 2017.

Additional financial information can be obtained from NORCOM, c/o Gwen Pilo, Finance Manager, P.O. Box 50911, Bellevue. WA 98015-0911.

### **NOTE 15:**

### **Contingencies and Litigation**

As of December 31, 2015, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims nor lawsuits, would affect materially, the financial condition of the City.

### **NOTE 16:**

### **Risk Management**

The City is exposed to various risks of loss such as: theft, damage, destruction of assets, errors & omissions, injuries or property damage to others, employees' health, and natural disasters. The City has three internal service funds to account for and finance its self-insured risks of loss. The City purchases commercial insurance for claims in excess of anticipated self-insured losses. All funds of the City participate in the self-insurance programs and make payments to the self-insurance funds based on estimates of the amounts needed to pay excess insurance and related risk management and service costs, prior and current year claims paid in the current year, and to maintain adequate reserves for catastrophic losses in a given year.

#### **Property and Liability Claims Program:**

The self-insured portion of the Insurance Claims and Reserve Fund provides coverage up to a maximum of \$25,000 per occurrence for related claims and expenses. There were no claims that settled in 2015 which exceeded the City's self-insurance limit; in 2014 there were no claims which exceeded the city's self-insurance limit; in 2013 there were two (2) claims which exceeded the city's self-insurance limit. Reserves for open claims are established by an independent claims adjusting firm on a case reserve basis based on the assessment of the settlement potential and costs specifically associated with a particular claim, given the information available at the time. Cases are reviewed at least monthly and are subject to periodic audits. Lawsuits are reviewed and handled directly by the City Attorney or the excess insurer's appointed legal counsel.

The City's current approach to risk management stems from 2010 when the city conducted a comprehensive review of its property and liability risk programs. As a result, the City issued a request for proposal (RFP) for a broker/consultant and selected Bannon Carlson & Kessel, Inc. Bannon Carlson & Kessel, Inc. then conducted a search for service providers to meet the City's needs. This resulted in the City selecting Travelers Insurance for liability coverage and retaining Affiliated FM for property coverage. As a result, the city's risk program changed from a \$100,000 self-insured retention for general liability claims to a \$25,000 deductible. A deductible limit applies to all claim costs while a self-insured retention only applies to any judgment or settlement. The liability limits were extended to \$20 million for general liability as described in the table below. There were no claims which settled in excess of deductible amounts in 2015; in 2014 there were no claims which exceeded the deductible amounts; in 2013 there were two (2) claims which exceeded the deductible amounts.

Property insurance coverage has remained with Travelers since September 1, 2013.

#### **Medical Self Insurance Program:**

For 2015 the Medical Self-Insurance Fund provided coverage up to a maximum of \$150,000 per person per calendar year with the Excess Insurance covering an Unlimited Major Medical Maximum. There were six (6) claimants who exceeded the per-person limit in 2015; in 2014 there were three (3) claimants who exceeded the per-person limit; in 2013 there was one (1) claimant who exceeded the per-person limit. All funds of the City from which employee wages are paid make premium payments to the Medical Self-Insurance Fund based on health insurance rates derived from actual fund experience and historical and market trend rates.



Council authorized the City to self-insure workers' compensation benefits effective January 1, 1998 for employee injuries and illnesses. For 2015 the City self-insures \$500,000 of each accident or illness and purchases excess insurance above that, up to the statutory requirements. No reported claim for 2015, 2014, or 2013 exceeded the City's self-insurance coverage. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2015, the City had reserves of \$1,041,486 in the Insurance Fund, \$9,674,102 in the Medical Self-Insurance Fund, and \$490,214 in the Workers' Compensation Fund to provide against risk of future loss. Claims liabilities of \$990,274 have been reported in the Medical Self-Insurance Fund and \$41,486 in the Workers' Compensation Fund based on estimates provided by the City's third party administrators. Historical claims liabilities for incurred but not reported (IBNR) in the Insurance Claims and Reserve Fund average 15% to 17% of paid claims for the year. Reported claims liabilities are based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the self-insurance funds' claims liabilities in 2014 and 2015 were:

	Insurance Fund	Medical Insurance Fund	Workers' Compensation Fund
December 31, 2014:			
Unpaid claims, beginning of fiscal year	\$ -	\$ 1,355,600	\$ 80,517
Claims incurred (including IBNRs)	182,304	6,774,892	390,160
Claims payments	(182,304)	(6,924,892)	(431,799)
Unpaid claims-December 31, 2014:	<u>\$ -</u>	<u>\$ 1,205,600</u>	<u>\$ 38,878</u>
December 31, 2015:			
Unpaid claims, beginning of fiscal year	\$ -	\$ 1,205,600	\$ 38,878
Claims incurred (including IBNRs)	296,689	8,313,432	397,015
Claims payments	(296,689)	(8,528,758)	(394,407)
Unpaid claims-December 31, 2015:	<u>\$ -</u>	<u>\$ 990,274</u>	<u>\$ 41,486</u>

Commercial insurance policies were purchased to protect the City from claims which exceed the coverage provided by the self-insurance funds.

	Coverage	Self-Insured Retention
Property policy limit	\$150,000,000	\$100,000
Earth movement	\$50,000,000	3%/\$100,000 minimum per location
Flood	\$50,000,000	\$100,000
Employee theft	\$1,000,000	\$10,000
General liability – per occurrence	\$1,000,000	\$25,000
General liability – aggregate	\$2,000,000	
Law enforcement	\$1,000,000	\$25,000
Employment related practices	\$1,000,000	\$25,000
Auto liability	\$1,000,000	\$25,000
Umbrella excess liability	\$20,000,000	\$10,000
(excess of general liability, auto, law enforcement liability)		
Employment-related practices excess	\$9,000,000	
Underground storage tank liability	\$1,000,000	\$5,000
Blanket fidelity (employee dishonesty)	\$1,000,000	\$10,000 deductible
Excess worker's compensation	statutory	\$500,000
Excess medical insurance	unlimited	\$150,000

## **NOTE 17:**

### **Accounting and Reporting Changes**

#### **GASB Statements 68 and 71 Implementation**

The City implemented GASB Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, and GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement 68, in 2015. These Statements address accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

As discussed in detail in Note 7: Pension Plans, the City participates in several statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution plans.

Statement 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Statement 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Implementation of GASB Statements 68 and 71 resulted in changes in the Statement of Net Position including an increase in net pension liabilities of \$27,006,967, an increase in net pension assets of \$10,083,341, an increase in deferred outflows of resources of \$4,827,859 and an increase in deferred inflows of resources of \$7,297,284. Changes impacting the Statement of Activities resulted in a decrease in pension expense of \$2,859,605, and decreases in net assets of \$16,827,489 for governmental activities and \$5,463,386 for business type activities due to changes in accounting principles. In addition, the Required Supplementary Information section includes Schedules of Proportionate Share of the Net Pension Liability and Schedules of Employer Contributions for each pension plan.

## **NOTE 18:**

### **Subsequent Events**

In January 2016, the City issued \$6,000,000 in limited tax general obligation bonds and \$11,630,000 in limited tax general obligation refunding bonds with interest rates of between 2% and 5% to advance refund \$11,675,000 of outstanding 2008 Limited Tax General Obligation Bonds and to provide the funds to finance the costs of transportation improvements.

The City has brought a condemnation action in order to acquire three easements necessary to complete the City's Cleveland Street Couplet street project. There was disagreement on the value of one of the parcels, with the City's appraiser valuing the property at \$190,000 and the property owner's appraiser valuing the property at \$897,341. As a result of mediation, an agreement was reached on May 4, 2016, in the amount of \$550,000. The City has budgeted funds for the acquisition that are sufficient to cover this amount.

**NOTE 19:**  
**Prior Period Adjustments**

**Contributed Intangible Land Rights**

Adjustments were made to recognize \$22,779,557 in intangible land rights contributed to the City between 2010 and 2014 that were not previously reported.

**Intergovernmental Revenues**

In 2015, payments from previous years totaling \$570,166 were returned to the Washington State Department of Transportation (WSDOT). The repayment was due to a deficiency resulting from use of the incorrect consultant agreement on the Redmond Central Connector Phase 1, 148th Seismic and 156th Overlay projects which was identified during the Project Management Review done by WSDOT. The City was allowed to rebill for these funds using 2014 construction expenditures, and \$335,000 was rebilled.

City of Redmond  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
Budget and Actual - General Fund  
For the year ended December 31, 2015

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>					
Taxes	\$ 126,573,121	\$ 126,573,121	\$ 63,338,221	\$ 63,338,221	\$ (63,234,900)
Licenses and permits	19,884,410	19,884,410	9,720,283	9,720,283	(10,164,127)
Contributions	659,991	659,991	66,687	66,687	(593,304)
Intergovernmental	3,607,494	3,615,892	3,103,642	3,103,642	(512,250)
Charges for services	28,434,052	28,439,052	14,815,209	14,815,209	(13,623,843)
Fines and forfeitures	1,118,006	1,118,006	613,556	613,556	(504,450)
Investment income	845,167	809,693	307,514	307,514	(502,179)
Net change in fair value of investment	-	-	(99,443)	(99,443)	(99,443)
Miscellaneous	1,042,978	1,078,118	304,097	304,097	(774,021)
Total Revenues	<u>182,165,219</u>	<u>182,178,283</u>	<u>92,169,766</u>	<u>92,169,766</u>	<u>(90,008,517)</u>
<b>EXPENDITURES</b>					
Current					
General government	36,750,182	35,701,973	16,414,295	16,414,295	19,287,678
Security of persons and property	91,872,018	92,587,742	44,684,473	44,684,473	47,903,269
Physical environment	-	-	16,957	16,957	(16,957)
Transportation	19,684,762	20,813,095	8,752,185	8,752,185	12,060,910
Economic development	9,735,608	9,526,887	4,648,988	4,648,988	4,877,899
Social Services	1,651,753	1,875,048	882,947	882,947	992,101
Culture and recreation	18,296,080	18,079,785	8,841,562	8,841,562	9,238,223
Capital outlay	7,123,808	7,123,808	488,709	488,709	6,635,099
Debt service					
Principal	1,179,912	777,223	94,451	94,451	682,772
Interest and Issuance Costs	-	-	4,014	4,014	(4,014)
Total Expenditures	<u>186,294,123</u>	<u>186,485,561</u>	<u>84,828,581</u>	<u>84,828,581</u>	<u>101,656,980</u>
Excess (deficiency) of revenues over (under) expenditures	(4,128,904)	(4,307,278)	7,341,185	7,341,185	11,648,463
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	-	-	7,460	7,460	7,460
Disposition of capital assets	304,480	304,480	-	-	(304,480)
Transfers in	8,257,435	8,257,435	3,234,801	3,234,801	(5,022,634)
Transfers out	(15,668,970)	(16,581,659)	(8,158,363)	(8,158,363)	8,423,296
Total other financing sources and uses	<u>(7,107,055)</u>	<u>(8,019,744)</u>	<u>(4,916,102)</u>	<u>(4,916,102)</u>	<u>3,103,642</u>
Net change in fund balance	<u>(11,235,959)</u>	<u>(12,327,022)</u>	<u>2,425,083</u>	<u>2,425,083</u>	<u>14,752,105</u>
Fund balance-beginning	<u>33,312,726</u>	<u>35,911,896</u>	<u>34,817,144</u>	<u>34,817,144</u>	<u>(1,094,752)</u>
Prior period adjustment	-	-	(73,700)	(73,700)	(73,700)
Fund balance-ending	<u>\$ 22,076,767</u>	<u>\$ 23,584,874</u>	<u>\$ 37,168,527</u>	<u>\$ 37,168,527</u>	<u>\$ 13,583,653</u>

# REQUIRED SUPPLEMENTARY INFORMATION

## City of Redmond Schedule of Proportionate Share of the Net Pension Liability PERS 1 As of December 31, 2015 Last 10 Fiscal Years\*

	2014	2015
Employer's proportion of the net pension liability (asset)	% 0.279429%	0.277269%
Employer's proportionate share of the net pension liability (asset)	\$ 14,076,367	14,503,747
TOTAL	\$ 14,076,367	14,503,747
Employer's covered employee payroll	\$ 312,232	218,317
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	% 4508.30%	6643.43%
Plan fiduciary net position as a percentage of the total pension liability	% 61.19	59.10%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

## REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2, 3  
As of December 31, 2015  
Last 10 Fiscal Years\*

	2014	2015
Employer's proportion of the net pension liability (asset)	0.344517%	0.349456%
Employer's proportionate share of the net pension liability (asset)	\$ 6,963,932	12,486,262
TOTAL	\$ 6,963,932	12,486,262
Employer's covered employee payroll	\$ 30,236,495	30,078,969
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	23.03%	41.51%
Plan fiduciary net position as a percentage of the total pension liability	93.29	89.20%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

# REQUIRED SUPPLEMENTARY INFORMATION

## City of Redmond Schedule of Proportionate Share of the Net Pension Liability PSERS As of December 31, 2015 Last 10 Fiscal Years\*

		2014	2015
Employer's proportion of the net pension liability (asset)	%	0.090607%	0.092909%
Employer's proportionate share of the net pension liability (asset)	\$	(13,121)	16,958
TOTAL	\$	(13,121)	16,958
Employer's covered employee payroll	\$	262,742	240,933
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-4.99%	7.04%
Plan fiduciary net position as a percentage of the total pension liability	%	105.01	95.08%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

# REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond  
Schedule of Proportionate Share of the Net Pension Liability  
LEOFF 1  
As of December 31, 2015  
Last 10 Fiscal Years\*

	2014	2015
Employer's proportion of the net pension liability (asset)	% 0.058235%	0.061310%
Employer's proportionate share of the net pension liability (asset)	\$ (706,269)	(738,921)
TOTAL	\$ (706,269)	(738,921)
Employer's covered employee payroll	\$ 242,276	67,708
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	% -291.51%	-1091.33%
Plan fiduciary net position as a percentage of the total pension liability	% 126.91	127.36%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.



# REQUIRED SUPPLEMENTARY INFORMATION

## City of Redmond Schedule of Proportionate Share of the Net Pension Liability LEOFF 2 As of December 31, 2015 Last 10 Fiscal Years\*

	2014	2015
Employer's proportion of the net pension liability (asset)	% 0.863922%	0.905449%
Employer's proportionate share of the net pension liability (asset)	\$ (11,464,616)	(9,306,205)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (7,414,046)	(6,153,272)
TOTAL	\$ (18,878,662)	(15,459,477)
Employer's covered employee payroll	\$ 24,636,066	26,650,217
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	% -46.54%	-34.92%
Plan fiduciary net position as a percentage of the total pension liability	% 116.75	111.67%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

# REQUIRED SUPPLEMENTARY INFORMATION

## City of Redmond Schedule of Employer Contributions PERS 1 As of December 31, 2015 Last 10 Fiscal Years\*

	2014	2015
Statutorily or contractually required contributions	\$ 28,195	20,005
Contributions in relation to the statutorily or contractually required contributions	\$ (28,195)	(20,005)
Contribution deficiency (excess)	\$ 0	0
Covered employer payroll	\$ 312,232	218,317
Contributions as a percentage of covered employee payroll	% 9.03%	9.16%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

# REQUIRED SUPPLEMENTARY INFORMATION

## City of Redmond Schedule of Employer Contributions PERS 2, 3 As of December 31, 2015 Last 10 Fiscal Years\*

	2014	2015
Statutorily or contractually required contributions	\$ 1,510,166	1,645,522
Contributions in relation to the statutorily or contractually required contributions	\$ (1,510,166)	(1,645,522)
Contribution deficiency (excess)	\$ 0	0
Covered employer payroll	\$ 30,236,495	30,078,969
Contributions as a percentage of covered employee payroll	% 4.99%	5.47%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

# REQUIRED SUPPLEMENTARY INFORMATION

## City of Redmond Schedule of Employer Contributions PSERS

As of December 31, 2015  
Last 10 Fiscal Years\*

	2014	2015
Statutorily or contractually required contributions	\$ 16,636	14,328
Contributions in relation to the statutorily or contractually required contributions	\$ (16,636)	(14,328)
Contribution deficiency (excess)	\$ 0	0
Covered employer payroll	\$ 262,472	240,933
Contributions as a percentage of covered employee payroll	% 6.34%	5.95%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

# REQUIRED SUPPLEMENTARY INFORMATION

## City of Redmond Schedule of Employer Contributions LEOFF 1 As of December 31, 2015 Last 10 Fiscal Years\*

	2014	2015
Statutorily or contractually required contributions	\$ 0	0
Contributions in relation to the statutorily or contractually required contributions	\$ 0	0
Contribution deficiency (excess)	\$ 0	0
Covered employer payroll	\$ 242,276	67,708
Contributions as a percentage of covered employee payroll	% 0.00%	0.00%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

# REQUIRED SUPPLEMENTARY INFORMATION

## City of Redmond Schedule of Employer Contributions LEOFF 2 As of December 31, 2015 Last 10 Fiscal Years\*

	2014	2015
Statutorily or contractually required contributions	\$ 1,244,059	1,242,193
Contributions in relation to the statutorily or contractually required contributions	\$ (1,244,059)	(1,242,193)
Contribution deficiency (excess)	\$ 0	0
Covered employer payroll	\$ 24,636,066	26,650,217
Contributions as a percentage of covered employee payroll	% 5.05%	4.66%

\* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

# Required Supplementary Information

## City of Redmond

### Firefighter's Pension Plan Schedule of Changes in Net Pension Liability Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Total Pension Liability<sup>(1)</sup></b>										
Service cost (Entry Age Normal Cost)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	15,014	10,399	17,645	17,590	20,627	20,705	28,542	28,580	24,961	25,294
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	97,140	154,238	(231,779)	(1,918)	(98,267)	(6,793)	223,274	(18,525)	38,329	(21,658)
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of contributions	(28,466)	(12,372)	(12,224)	(15,672)	(18,834)	(13,912)	(11,124)	(10,055)	(13,146)	(3,636)
<b>Net Change in Total Pension Liability</b>	<b>83,688</b>	<b>152,265</b>	<b>(226,358)</b>	<b>-</b>	<b>(96,474)</b>	<b>-</b>	<b>240,692</b>	<b>-</b>	<b>50,144</b>	<b>-</b>
<b>Total Pension Liability - Beginning</b>	<b>483,433</b>	<b>331,168</b>	<b>557,526</b>	<b>557,526</b>	<b>654,000</b>	<b>654,000</b>	<b>413,308</b>	<b>413,308</b>	<b>363,164</b>	<b>363,164</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 567,121</b>	<b>\$ 483,433</b>	<b>\$ 331,168</b>	<b>\$ 557,526</b>	<b>\$ 557,526</b>	<b>\$ 654,000</b>	<b>\$ 654,000</b>	<b>\$ 413,308</b>	<b>\$ 413,308</b>	<b>\$ 363,164</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 146,358	\$ 145,808	\$ 138,204	\$ 127,252	\$ 135,412	\$ 133,868	\$ 119,354	\$ 121,832	\$ 106,728	\$ 98,572
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net Investment Income	9,511	10,994	12,269	8,757	9,043	128	24,919	30,027	32,031	18,216
Benefit payments, including refunds of contributions	(28,466)	(12,372)	(12,224)	(15,672)	(18,834)	(13,912)	(11,124)	(10,055)	(13,146)	(3,636)
Administrative Expense	(5,500)	(5,261)	(1,350)	(5,264)	(1,000)	(7,000)	-	-	(1,262)	(2,332)
Other	-	-	-	-	-	-	(2,750)	(6,684)	(1,329)	-
<b>Net Change in Plan Fiduciary Net Position:</b>	<b>121,903</b>	<b>139,169</b>	<b>136,899</b>	<b>115,073</b>	<b>124,621</b>	<b>113,084</b>	<b>130,399</b>	<b>135,120</b>	<b>123,022</b>	<b>110,820</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,484,427</b>	<b>1,345,258</b>	<b>1,208,359</b>	<b>1,093,286</b>	<b>968,665</b>	<b>855,581</b>	<b>725,182</b>	<b>590,062</b>	<b>467,040</b>	<b>356,220</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,606,330</b>	<b>\$ 1,484,427</b>	<b>\$ 1,345,258</b>	<b>\$ 1,208,359</b>	<b>\$ 1,093,286</b>	<b>\$ 968,665</b>	<b>\$ 855,581</b>	<b>\$ 725,182</b>	<b>\$ 590,062</b>	<b>\$ 467,040</b>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<b>\$ (1,039,209)</b>	<b>\$ (1,000,994)</b>	<b>\$ (1,014,090)</b>	<b>\$ (650,833)</b>	<b>\$ (535,760)</b>	<b>\$ (314,665)</b>	<b>\$ (201,581)</b>	<b>\$ (311,874)</b>	<b>\$ (176,754)</b>	<b>\$ (103,876)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>283.24%</b>	<b>307.06%</b>	<b>406.22%</b>	<b>216.74%</b>	<b>196.10%</b>	<b>148.11%</b>	<b>130.82%</b>	<b>175.46%</b>	<b>142.77%</b>	<b>128.60%</b>
<b>Covered employee payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 91,040</b>	<b>\$ 91,040</b>	<b>\$ 85,323</b>	<b>\$ 82,200</b>	<b>\$ 75,804</b>
<b>Net pension liability (asset) as a percentage of covered employee payroll</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>-345.63%</b>	<b>-221.42%</b>	<b>-365.52%</b>	<b>-215.03%</b>	<b>-137.03%</b>

## Required Supplementary Information

### City of Redmond Firefighter's Pension Plan Schedule of Contributions Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actually determined contribution	\$ -	\$ -	\$ -	\$ -	\$ (13,832)	\$ (13,832)	\$ (15,979)	\$ -	\$ 606	\$ 606
Actual contribution in relation to the above	\$ 146,358	\$ 145,808	\$ 138,204	\$ 127,252	\$ 135,412	\$ 133,868	\$ 119,354	\$ 121,832	\$ 106,728	\$ 98,572
Contribution deficiency (excess)	<u>\$ 146,358</u>	<u>\$ 145,808</u>	<u>\$ 138,204</u>	<u>\$ 127,252</u>	<u>\$ 149,244</u>	<u>\$ 147,700</u>	<u>\$ 135,333</u>	<u>\$ 121,832</u>	<u>\$ 106,122</u>	<u>\$ 97,966</u>
Covered employee payroll	n/a	n/a	n/a	n/a	n/a	\$ 91,040	\$ 91,040	\$ 85,323	\$ 82,200	\$ 75,804
Contributions as a % of covered employee payroll	n/a	n/a	n/a	n/a	n/a	162.2%	148.7%	142.8%	129.1%	129.2%

#### Notes to Schedule

Valuation date:

January 1, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal Cost

Amortization method Level amortization of the Net Pension Liability as a level dollar amount over a five-year period.

Asset valuation method Market value

Salary increases 3.50%

Investment rate of return 3.20%

Growth in membership 0%

Postretirement benefit increases

1. Related to salaries

2. Related to Consumer Price Index

Retirement age 65

Mortality

Based on the RP-2000 Mortality Table (combined healthy) for males.



**Required Supplementary Information**

City of Redmond  
Firefighter's Pension Plan  
Schedule of Investment Returns  
Last 10 Fiscal Years

2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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Annual money-weighted rate of return,  
net of investment expense

0.62%	0.78%	0.97%	0.76%	0.88%	0.01%	2.85%	3.62%	5.99%	4.53%
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Required Supplementary Information

LEOFF I Medical Benefits  
Schedule of Funding Progress

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
Dec. 31, 2006	\$ -	\$ 8,512,284	\$ 8,512,284	0%	\$ 764,518	1113%
Dec. 31, 2007	\$ -	\$ 8,512,284	\$ 8,512,284	0%	\$ 557,587	1527%
Dec. 31, 2008	\$ -	\$ 8,512,284	\$ 8,512,284	0%	\$ 446,200	1908%
Dec. 31, 2009	\$ -	\$ 9,290,267	\$ 9,290,267	0%	\$ 442,308	2100%
Dec. 31, 2010	\$ -	\$ 9,430,652	\$ 9,430,652	0%	\$ 461,106	2045%
Dec. 31, 2011	\$ -	\$ 9,549,490	\$ 9,549,490	0%	\$ 480,703	1987%
Dec. 31, 2012	\$ -	\$ 14,420,000	\$ 14,420,000	0%	\$ 262,000	5504%
Dec. 31, 2013	\$ -	\$ 14,664,000	\$ 14,664,000	0%	\$ 249,000	5889%
Dec. 31, 2014	\$ -	\$ 14,893,000	\$ 14,893,000	0%	\$ 249,000	5981%
Dec. 31, 2015	\$ -	\$ 17,029,000	\$ 17,029,000	0%	\$ 23,000	74039%

**City of Redmond**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
						Total	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via King County)	Community Development Block Grants/Entitlement Grants	14.218	5763882	51,160	-	51,160	1,2,4
Violence Against Women Office, Department Of Justice (via King County)	Violence Against Women Formula Grants	16.588	#2014-WF-AX-0053	1,934	-	1,934	1,2
<b>Highway Planning and Construction Cluster</b>							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPE-1065 (010)	263,745	-	263,745	1,2,5
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-2075 (017)	265,971	-	265,971	1,2,6
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2079 (017)	73,700	-	73,700	1,2,7
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2075 (009)	93,289	-	93,289	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2096 (001)	90,410	-	90,410	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-2015 (094)	83,518	-	83,518	1,2

The accompanying notes are an integral part of this schedule.

Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1888 (011)	88,815	-	88,815	-	1,2
<b>Total Highway Planning and Construction Cluster:</b>								
				<b>959,448</b>	-	<b>959,448</b>	-	
<b>Federal Transit Cluster</b>								
Federal Transit Administration (fta), Department Of Transportation (via Washington State Department of Transportation)	Federal Transit_Formula Grants	20.507	69-8350-0-7-401 69-1129-0-1-401	63,118	-	63,118	-	1,2
<b>Total Federal Transit Cluster:</b>								
				<b>63,118</b>	-	<b>63,118</b>	-	
<b>Highway Safety Cluster</b>								
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State Traffic Safety Commission - DUI and Target Zero)	State and Community Highway Safety	20.600	SWV0003729-02	6,508	-	6,508	-	1,2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State Traffic Safety Commission - Distracted Driving Funding)	State and Community Highway Safety	20.600	PT14-03	5,025	-	5,025	-	1,2
<b>Total CFDA 20.600:</b>								
				<b>11,534</b>	-	<b>11,534</b>	-	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State Traffic Safety Commission)	National Priority Safety Programs	20.616	M5HVE14-01	539	-	539	-	1,2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA State Traffic Safety Commission)	National Priority Safety Programs	20.616	Grant Award #MAP-21, Section 405D	2,720	-	2,720	-	1,2
<b>Total CFDA 20.616:</b>								
				<b>3,259</b>	-	<b>3,259</b>	-	
<b>Total Highway Safety Cluster:</b>								
				<b>14,793</b>	-	<b>14,793</b>	-	
Region 10, Environmental Protection Agency (via WA Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300136	1,956	-	1,956	-	1,2

The accompanying notes are an integral part of this schedule.

Region 10, Environmental Protection Agency (via WA Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1400617	2,429	-	2,429	-	1,2
Region 10, Environmental Protection Agency (via WA Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	SEANEP-2014-RedmPW 00039	34,844	-	34,844	-	1,2
<b>Total CFDA 66.123:</b>				<b>39,229</b>	<b>-</b>	<b>39,229</b>	<b>-</b>	
Department Of Homeland Security (via WA-TF1 Pierce County Urban Search & Rescue Team)	National Urban Search and Rescue (US&R) Response System	97.025	EMW-2014-CA-K00017	8,139	-	8,139	-	1,2
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2010-FO-05860	-	6,200	6,200	-	1,2
Department Of Homeland Security (via City of Seattle Fire Department)	Homeland Security Grant Program	97.067	SHSP FFY14 SFD Activity #600629	4,142	-	4,142	-	1,2
Department Of Homeland Security (via City of Seattle Fire Department)	Homeland Security Grant Program	97.067	SHSP FFY14 SFD Activity #600638	3,125	-	3,125	-	1,2
<b>Total CFDA 97.067:</b>				<b>7,267</b>	<b>-</b>	<b>7,267</b>	<b>-</b>	
<b>Total Federal Awards Expended:</b>				<b>1,145,088</b>	<b>6,200</b>	<b>1,151,288</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

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

NOTE 1 – BASIS OF ACCOUNTING

This Schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting for governmental fund financial statements and agency funds and the accrual basis of accounting for internal service and proprietary funds.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 3 – NONCASH AWARDS - EQUIPMENT

The City received the fire equipment and supplies that were purchased with federal Homeland Security funds by the City of Seattle. The amount reported on the schedule is the value of the property on the date it was received by the City and priced by the City of Seattle, Washington.

NOTE 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is \$25,580 that was passed through to a sub-recipient that administered its own project.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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