

Washington State Auditor's Office
Financial Statements Audit Report

City of Sammamish
King County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012095

Issue Date
June 23, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

June 23, 2014

Mayor and City Council
City of Sammamish
Sammamish, Washington

Report on Financial Statements

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

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

Sincerely,

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

TROY KELLEY
STATE AUDITOR

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**City of Sammamish
King County
January 1, 2013 through December 31, 2013**

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**City of Sammamish
King County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Sammamish
Sammamish, 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 Sammamish, King County, Washington, as of and for the year ended December 31, 2013, 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 16, 2014.

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.

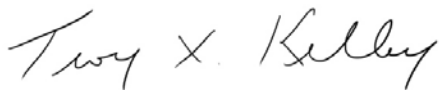
COMPLIANCE AND OTHER MATTERS

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.



TROY KELLEY
STATE AUDITOR

June 16, 2014

Independent Auditor's Report on Financial Statements

City of Sammamish King County January 1, 2013 through December 31, 2013

Mayor and City Council
City of Sammamish
Sammamish, 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 Sammamish, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 6.

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 Sammamish, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

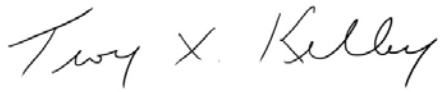
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 17 and budgetary comparison information on pages 52 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014 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

June 16, 2014

Financial Section

**City of Sammamish
King County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of Total Governmental Funds Balances to Net Position of Governmental
Activities – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities – 2013

Statement of Net Position – Proprietary Funds – 2013

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– 2013

Statement of Cash Flows – Proprietary Funds – 2013

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– General Fund — 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative provides an overview and analysis of the City of Sammamish's financial activities for the fiscal year ended December 31, 2013. The purpose is to highlight significant financial issues, major financial activities, and resulting changes in financial position, as well as economic factors affecting the City. Readers are encouraged to consider the information presented here in conjunction with the information furnished in the letter of transmittal in the introductory section and the City's financial statements and accompanying notes following the narrative.

Financial Highlights

- The City ended the year in a strong financial position, with total assets exceeding total liabilities by \$484.0 million, an increase of \$17.5 million over the 2012 ending net position. Of this increase, \$7.8 million is due to the acquisition of capital assets, including land, buildings, equipment, and developer contributions.
- During the slow economic recovery, the City saw an increase in tax revenues of \$1.9 million, an increase in development related permits and fees of \$526,300, and a \$1.4 million increase in impact fees collected.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements which are presented in three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information in addition to the basic financial statements is also contained in this report.

Government-wide financial statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar to the financial reporting of private-sector businesses.

The *Statement of Net Position* presents information on all of the City's assets, liabilities, and deferred inflows of resources, showing the difference between assets and liabilities and deferred inflows of resources as net position. Over time, increases or decreases in net position may be one indicator of whether the financial health of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the year. The net cost of each governmental and business-type activity is reported separately from taxes and other sources of revenue not related to a specific function. Activity on this statement is reported on the accrual basis of accounting, meaning that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, unpaid vendor invoices, and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). Governmental activities include general government (finance and administrative services), security (police and fire), physical and economic environment, transportation, mental/physical health, and culture and recreation. The City has one business-type activity, a surface water management utility.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or to meet certain objectives. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related and legal requirements. The City's funds are divided into two categories: governmental funds and proprietary funds.

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

Because the focus of the governmental funds is narrower than that of the government-wide statements, it is useful to compare similar information in the governmental fund statements and the government-wide statements. In doing so, the reader may better understand the long term impact of the City's current year financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the General Capital Improvement Fund, the Parks Capital Improvement Fund and the Transportation Capital Improvement Fund, all of which are considered to be major funds. Data from the G.O. Debt Service Fund is shown in a column labeled Non-major Fund.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the General Fund as required supplementary information. Other budgetary comparison schedules are included in the Fund Financial Statements and Schedules sections of this report.

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.

The City has two types of proprietary funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various city departments.

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 information for the City's storm water utility operating and capital activities.

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 accumulate funds for vehicle replacement, account for vehicle maintenance, to account for insurance premiums and claims, and to account for information technology activities. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities column of the government-wide statement of net position.

Notes to the financial statements

The notes to the financial statements provide additional information that is important to 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

The combining statements for other governmental funds and internal service funds are presented immediately following the notes section.

Government-wide Financial Analysis

Statement of net position

The City's financial condition remained good during 2013, despite only moderate economic expansion. As noted earlier, net position may serve as a useful indicator of the City's financial situation. The City's net position at December 31, 2013 total \$484.0 million, an increase of \$17.5 million over 2012. Net position of the City as of December 31, 2013 are summarized and analyzed below.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|------------|--------------------------|-----------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (in thousands) | | | | | |
| Current and other assets | \$ 74,423 | \$ 63,768 | \$ 4,343 | \$ 3,407 | \$ 78,766 | \$ 67,175 |
| Capital assets, net of accumulated depreciation | 379,334 | 377,202 | 34,904 | 31,358 | 414,238 | 408,560 |
| Total assets | 453,757 | 440,970 | 39,246 | 34,765 | 493,004 | 475,735 |
| Long-term liabilities | 4,815 | 5,318 | 402 | 465 | 5,217 | 5,782 |
| Other liabilities | 3,002 | 3,116 | 685 | 246 | 3,686 | 3,362 |
| Total liabilities | 7,817 | 8,433 | 1,087 | 711 | 8,903 | 9,144 |
| Deferred inflows | 95 | 107 | - | - | 95 | 107 |
| Total deferred inflows | 95 | 107 | - | - | 95 | 107 |
| Net position | | | | | | |
| Net investment in capital assets | 375,067 | 372,402 | 34,904 | 31,358 | 409,971 | 403,760 |
| Restricted | 3,565 | 802 | - | - | 3,565 | 802 |
| Unrestricted | 67,213 | 59,226 | 3,256 | 2,697 | 70,469 | 61,923 |
| Total net position | \$ 445,845 | \$ 432,430 | \$ 38,160 | \$ 34,054 | \$ 484,005 | \$ 466,484 |

Governmental Activities: Net position from governmental activities increased by \$13.4 million in 2013, for a total of \$445.8 million. Of total governmental activities net position, \$3.6 million is restricted for capital projects. Unrestricted net position of \$67.2 million are available to meet ongoing obligations to citizens and creditors. Factors contributing to the changes are as follows:

- Of the increase in governmental activities, \$7.3 million was in cash and cash equivalents, including cash held in the local government investment pool. This is largely related to an increase in tax revenue of \$1.9 million, developer revenues of \$1.9 million, and \$2.3 million in charges for services.
- Developer and private contributions of land and infrastructure totaled \$5.3 million and transportation and parks improvements totaled \$4.9 million, offset by depreciation of current assets and the completion of several major capital projects led to an overall increase in capital asset values of \$2.1 million.
- Total liabilities and deferred inflows decreased by \$628,000, primarily consisting of a reduction in long-term debt of \$500,000.

Business-type Activities: Business-type activities of the City's surface water fund increased the City's net position by \$4.1 million in 2013. Of total net position, \$3.3 million is available to meet ongoing operating needs. Contributing factors of the increase were:

- The largest component of the increase was the result of capital assets contributed by developers of \$3.8 million, offset by current depreciation expense for a net increase of \$3.5 million.
- Cash and investments increased by \$1.2 million, while due from other governments decreased by \$303,000, due to a one-time 2012 federal grant award.
- Total liabilities increased by \$376,000, this increase is entirely related to an increase in accounts payable at year-end, offset by a decrease in long-term debt payable. The increase in payables is due to increased maintenance activity required by federal regulations and the late receipt of a 2013 invoice for \$130,000.

Changes in position

As illustrated in the following table, the City's net position increased approximately \$17.5 million in 2013. The increase was split between the governmental activities (\$13.4 million) and the business-type activities (\$4.1 million).

The table below provides condensed information on revenues, expenses, and changes in net position with governmental and business-type activities shown separately.

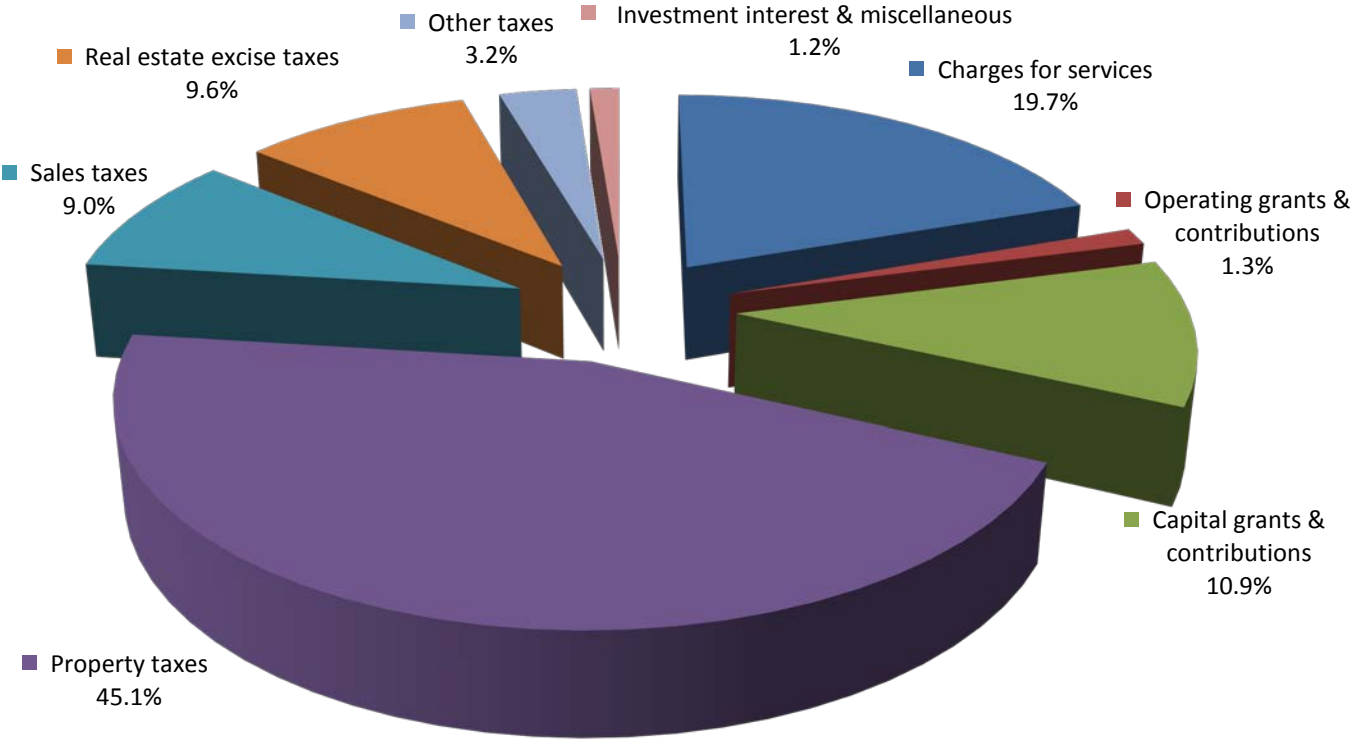
| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|----------|--------------------------|----------|--------|----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (in thousands) | | | | | |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 9,524 | \$ 7,273 | \$ 3,104 | \$ 2,499 | 12,628 | \$ 9,772 |
| Operating grants & contributions | 613 | 383 | - | 302 | 613 | 685 |
| Capital grants & contributions | 5,286 | 6,846 | 4,356 | 1,814 | 9,642 | 8,660 |
| General revenues: | | | | | | |
| Property taxes | 21,851 | 21,516 | - | - | 21,851 | 21,516 |
| Sales taxes | 4,368 | 4,011 | - | - | 4,368 | 4,011 |
| Real estate excise taxes | 4,640 | 3,308 | - | - | 4,640 | 3,308 |
| Other taxes | 1,574 | 1,729 | - | - | 1,574 | 1,729 |
| Investment interest | 114 | 193 | 10 | 10 | 125 | 203 |
| Miscellaneous | 483 | 543 | - | - | 483 | 543 |
| Total revenues | 48,454 | 45,802 | 7,470 | 4,625 | 55,924 | 50,428 |

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (in thousands) | | | | | |
| Expenses: | | | | | | |
| General government | 5,672 | 5,500 | - | - | 5,672 | 5,500 |
| Security | 11,210 | 10,761 | - | - | 11,210 | 10,761 |
| Physical environment | 769 | 912 | - | - | 769 | 912 |
| Economic environment | 2,947 | 2,377 | - | - | 2,947 | 2,377 |
| Transportation | 9,078 | 10,271 | - | - | 9,078 | 10,271 |
| Mental/physical health | 9 | 12 | - | - | 9 | 12 |
| Culture and recreation | 5,330 | 4,597 | - | - | 5,330 | 4,597 |
| Interest on long-term debt | 23 | 118 | - | - | 23 | 118 |
| Stormwater | - | - | 3,365 | 2,767 | 3,365 | 2,767 |
| Total expenses | 35,038 | 34,548 | 3,365 | 2,767 | 38,403 | 37,315 |
| Increase in net position before transfers and special items | 13,416 | 11,255 | 4,106 | 1,858 | 17,521 | 13,113 |
| Increase in net position | 13,416 | 11,255 | 4,106 | 1,858 | 17,521 | 13,113 |
| Net position - beginning | 432,430 | 421,175 | 34,054 | 32,196 | 466,484 | 453,371 |
| Net position - ending | <u>\$ 445,845</u> | <u>\$ 432,430</u> | <u>\$ 38,160</u> | <u>\$ 34,054</u> | <u>\$ 484,005</u> | <u>\$ 466,484</u> |

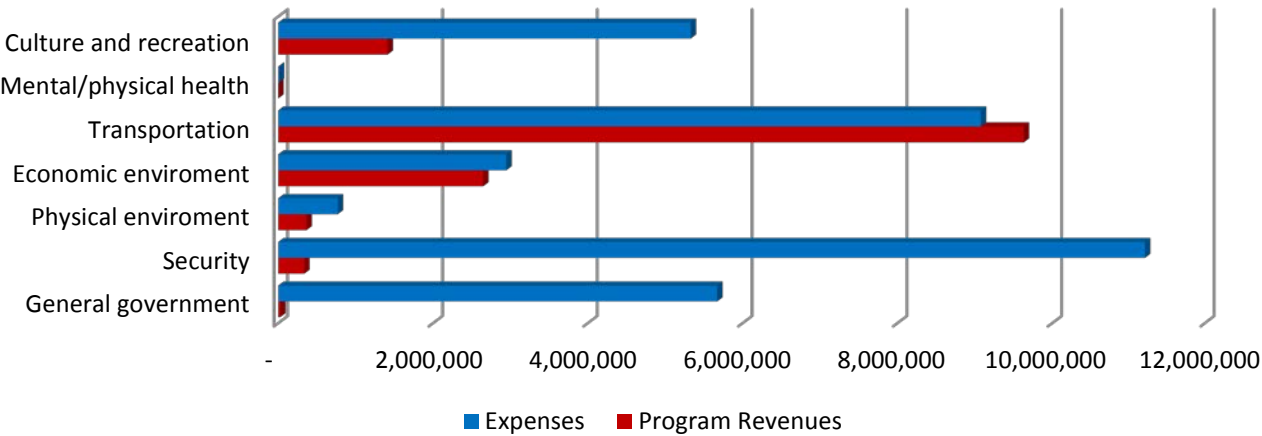
Governmental activities increased the City's net position by \$13.4 million in 2013, which accounts for 76.6% of the total increase in net position of the City. Most of the increase in net position can be attributed to capital assets. Total revenues increased by approximately 5.8%, while total expenses were about 1.4% higher than in 2012. Key elements of the changes in governmental activities net position are:

- Charges for services increased by \$2.3 million, which is attributable to an increase in revenues from development related activity, including reviews, inspections, and impact fees collected.
- Tax revenues increased by \$1.9 million, the largest portions of this increase are attributable to local real estate excise tax (\$1.3 million) and local sales tax (\$357,000).
- Total general government expenses increased by \$491,000, the largest components of the increase were in salaries and related benefits, as well as increases in police and fire service contracts.

Revenue by Source - Governmental Activities



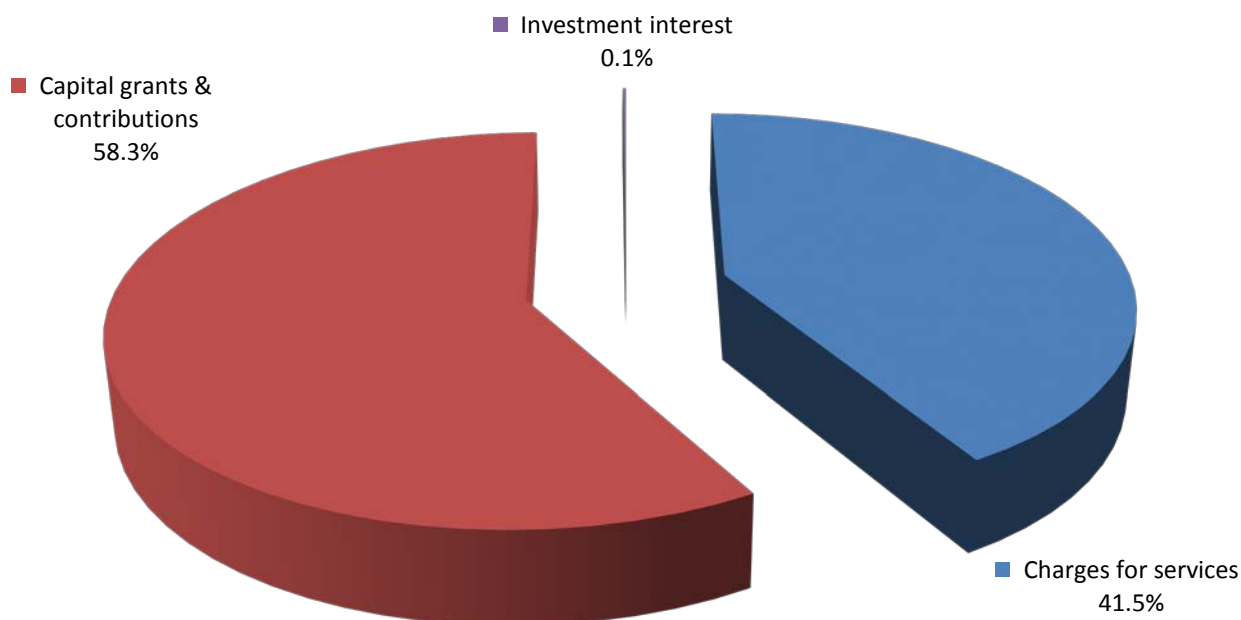
Expenses and Program Revenues - Governmental Activities



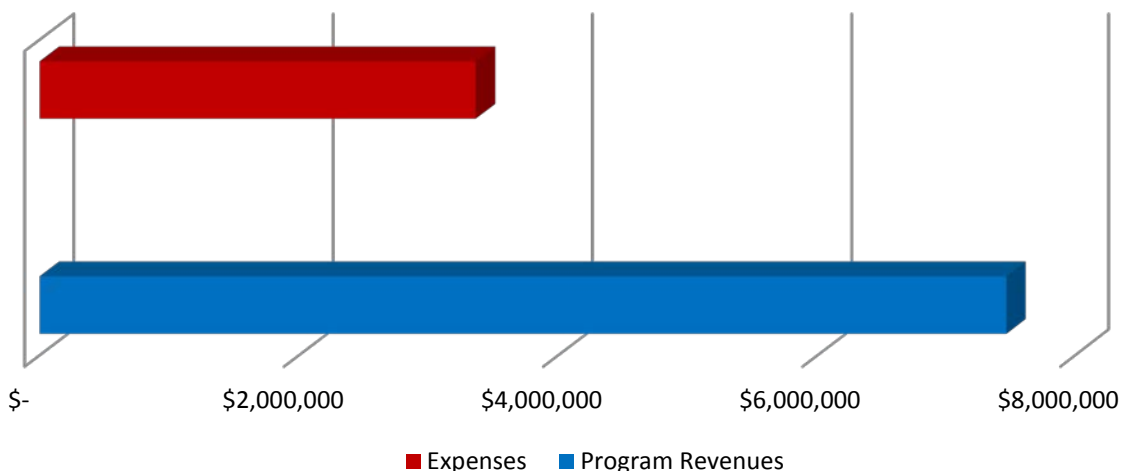
Business-type activities increased the City's net position by 4.1 million, accounting for 23.4% of the total growth in the City's net position.

- Revenues improved by \$2.8 million over 2012, of which \$5.5 million is due to an increase in stormwater facilities contributed by developers and an increase in service revenue of 605,000.
- Expenses increased by \$597,000, in large part due to increased maintenance requirements of a federal stormwater permit, as well as an increase in staffing levels and related benefit costs.

Revenue by Source - Business Type Activities



Expenses and Program Revenues - Business Type Activities



Financial Analysis of the Government's Funds

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

Governmental funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. This information helps determine the City's financial requirements in the near future. In particular, fund balance is a good indicator of the City's resources available at the end of the year.

At the end of the current year the City's governmental funds reported combined ending fund balances of \$68.3 million. This was an increase of \$11.8 million or 21.0% over the ending fund balances of the prior year. Of the ending fund balances, \$4.6 million has been set aside for a strategic reserve, and the remaining \$63.7 million is available for ongoing City operations and initiatives.

The General fund is the primary operating fund of the City. Receipts and payments of ordinary city operations are processed through the General fund, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2013 the fund balance of the General fund was \$25.4 million.

The general fund balance increased \$3.7 million from the prior year. Revenues increased 3.5% while expenditures increased 0.2% and transfers-out decreased 42.0%. Revenues exceeded expenditures in the general fund by \$6.1 million in 2013. Net transfers out of the general fund to capital projects funds totaled \$3.3 million.

General fund revenues were \$1.1 million higher in 2013 than in 2012. Property taxes, which increased approximately \$334,000, are the primary source of revenue in the General Fund, at 65.6% of the fund's 2013 revenues. An uptick in development activity and use of park facilities of \$2.0 million partially fueled an increase in charges for services.

General Fund expenditures were up \$60,000 in 2013. Transportation expenditures decreased by \$1.3 million in 2013, a majority of which was related to a decrease in the road overlay program, after an unusually high year of activity in 2012. Expenditures for security increased by \$459,000, this was due to increases in both the police and fire contracts. General government expenditures increased by \$747,000, largely attributable to a rise in the cost of salaries and benefits during 2013. The remaining functions had a combined increase in expenditures of \$385,000.

General Fund expenditures are closely monitored with all departments working together to limit their expenditures with minimal impact on currently provided public services. Considering the increase in development activity, the City's staffing level increased by 4.5 budgeted positions to a total of 72.0. City staff received a cost of living increase of 1.70% in 2013.

Ending fund balance in the General Capital Improvement Fund increased \$22,000. There are currently no active or planned construction projects in this fund.

Ending fund balance in the Park Capital Improvement Fund increased \$3.9 million. Revenues exceeded expenditures by \$1.4 million and were supplemented with net transfers in of \$2.5 million. Total park capital expenditures for the year were \$2.2 million which included \$1.4 million for planning and design of a new community center and \$368,000 on construction of a new waterfront park. The remaining \$432,000 paid for several smaller restoration and renovation projects.

The Transportation Capital Improvement Fund ending fund balance was \$18.1 million, an increase of \$4.2 million from 2012. Expenditures of \$2.1 million were spent largely on non-motorized improvements to 244th Avenue (\$1.1 million) and several smaller programs, including intersection improvements, and the sidewalk program. Traffic impact fees of \$4.1 million and real estate excise taxes of \$2.3 million made up a majority of the \$6.9 million in fund revenues for 2013.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City of Sammamish budgets on a biennial basis with each budget beginning in an odd numbered year in compliance with state law. The difference between the original 2013-2014 general fund budget adopted at the end of 2012 and the 2013-2014 biennial general fund budget at December 31, 2013 amounts to an increase of \$2,146,348.

Revenues increased/ (decreased) in the following categories:

- Beginning Fund Balance \$ 2,431,898
- Taxes \$ 517,700
- Licenses & Permits \$ 476,500
- Intergovernmental \$ 164,100
- Charges for Goods & Services \$ 609,200

A higher than expected actual ending fund balance in 2012 allowed for an increase to the General Fund budget beginning balance for 2013.

Expenditure increases/ (decreases) occurred in various functional areas and were as follows:

- Ending Fund Balance \$ 2,146,348
- Security \$ 1,797,400
- Economic Development \$ 569,200
- Physical Environment \$ 67,450
- Culture & Recreation \$ (248,200)
- General Government \$ (132,800)

The increase in budgeted expenditures for security was due to an added contingency related to the possibility the City would change the way it provides fire protection services. The increase in economic development is due to the addition of salaries and related benefits as a result of additional budgeted positions. The decrease in culture and recreation budgeted expenditures is for a decrease in expected personnel benefits and correlates to the federal government delaying the implementation of the Affordable Care Act to 2015.

Capital Asset and Debt Administration

Capital assets

The City of Sammamish's investment in capital assets for its governmental and business-type activities as of December 31, 2013 was \$414.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission/distribution systems, roads, and bridges.

Major capital assets changes during 2013 included the following:

- Developer and private contributions of \$9.0 million in land, streets, and surface water facilities.
- \$3.0 million was invested new parks and park improvements, including construction of Sammamish Landing Waterfront Park, and a Community Garden.
- The City invested \$2.1 million in improvements to existing general government and stormwater utility assets, and \$441,000 on the purchase of new vehicles and equipment.

City of Sammamish's capital assets (net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (in thousands) | | | | | |
| Land | \$ 254,052 | \$ 246,780 | \$ 10,256 | \$ 8,912 | \$ 264,308 | \$ 255,692 |
| Buildings/building improvements | 14,876 | 15,614 | 1,554 | 1,617 | 16,429 | 17,231 |
| Improvements other than buildings | 18,541 | 18,922 | 22,793 | 20,820 | 41,334 | 39,742 |
| Machinery & equipment | 2,169 | 2,278 | 17 | 8 | 2,185 | 2,286 |
| Construction in progress | 2,882 | 1,925 | 284 | - | 3,166 | 1,925 |
| Art | 91 | 91 | - | - | 91 | 91 |
| Software | 165 | 26 | - | - | 165 | 26 |
| Infrastructure | 86,558 | 86,759 | - | - | 86,558 | 86,759 |
| Total | <u>\$ 379,334</u> | <u>\$ 372,395</u> | <u>\$ 34,904</u> | <u>\$ 31,357</u> | <u>\$ 414,238</u> | <u>\$ 403,752</u> |

Additional information on the City of Sammamish's capital assets can be found in Note 6 of this report.

Long-term debt

At the end of the current fiscal year, the City had debt outstanding of \$4.6 million. Of this amount, \$4.3 million is a State of Washington Public Works Trust Fund Loan and \$331,000 is revenue debt, which was inherited from King County at incorporation in 1999.

General obligation and revenue debt

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------|-------------------------|-----------------|--------------------------|---------------|-----------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (in thousands) | | | | | |
| General obligation debt | \$ 4,267 | \$ 4,800 | \$ - | \$ - | \$ 4,267 | \$ 4,800 |
| Revenue debt | - | - | 331 | 406 | 331 | 406 |
| Total | <u>\$ 4,267</u> | <u>\$ 4,800</u> | <u>\$ 331</u> | <u>\$ 406</u> | <u>\$ 4,598</u> | <u>\$ 5,206</u> |

The City was not rated by Standard & Poors in 2013 due to the fact the City has no outstanding bond obligations.

Washington State law limits the amount of general obligation debt the City may issue to 5.0% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 5.0% limit, 2.5% is for general purposes and 2.5% for open space/park facilities. Non-voted (limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 5.0% of assessed valuation. The City's assessed valuation for 2013 was \$8,426,434,938 and remaining debt capacity is as follows:

| | |
|----------------------------|-----------------------|
| General | \$ 206,394,206 |
| Open Space/Park Facilities | <u>210,660,873</u> |
| Total | <u>\$ 417,055,080</u> |

The total amount of unlimited tax and limited tax general obligation debt the City may issue is \$421,321,746. Additional information on the City of Sammamish's long-term debt can be found in Note 11 of this report.

Economic Factors and Next Biennium's Budget

The end of 2013 marks the midpoint of the City's biennial budget. A mid-biennial review was completed as required by state law and adjustments were made to the budget based on several factors. The outlook for the nation, state, and region was weighed in relation to its expected impact on Sammamish. The character of the City, including its current and future business activity and its attraction as a place to live, was evaluated. Current financial position and the ability of the City to thrive under its adopted fiscal policies were also considered. Based on these factors, the City's projection for the second half of the biennium reflects an increase in the level of construction from what had been experienced in 2013. However, expenditures will be closely monitored in the near future. The budget assumes that 2014 revenues will be only slightly higher than 2013.

Sammamish's operations are primarily funded by property taxes with few volatile sources of revenue that fund operating activities. By state law, the City may raise property taxes 1% per year plus the property taxes on new construction. To minimize the impact of tax increases on its citizens, the City chose not to exercise that option for 2013, but instead banked (reserved) this taxing capacity for future years. To control fixed costs during economic ups and downs, the City operates with a lean staff, contracting out for many municipal services such as police, fire, and some development review. The combination of a stable operating revenue source and limited permanent staff insulates the City somewhat from future economic slowdowns.

Two revenue sources dedicated to capital projects, real estate excise taxes and impact fees have shown continued growth since the low point in 2009, and are expected to continue to do so. Transportation impact fee revenues in the 2013-2014 budget period are expected to more than quadruple from 2011-2012 levels, and parks impact fees are expected to triple. Real estate excise tax revenues are anticipated to rise by 24%.

Sammamish has a history of excellent financial management and prudent fiscal policies. The 2013-2014 biennial budget maintains the City's strong financial position, with a projected ending fund balance of nearly \$45.1 million at the end of 2014. Adherence to good financial management practices and policies has served the City well and set the stage for a community that will thrive for many years to come.

Requests for Information

This financial report is designed to provide a general overview of the City of Sammamish'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 Finance Director, City of Sammamish, 801 228th Ave SE, Sammamish, WA 98075.

CITY OF SAMMAMISH

STATEMENT OF NET POSITION

December 31, 2013

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 44,410,517 | \$ 2,755,359 | \$ 47,165,876 |
| Cash with outside agencies | 32,428 | - | 32,428 |
| Investments | 26,057,298 | 1,592,400 | 27,649,698 |
| Receivables: | | | |
| Taxes | 1,556,473 | - | 1,556,473 |
| Accounts | 489,049 | 126,065 | 615,114 |
| Interest | 22,930 | 1,404 | 24,334 |
| Contracts | 804,963 | - | 804,963 |
| Due from other governments | 240,050 | - | 240,050 |
| Internal balances | 132,686 | (132,686) | - |
| Restricted assets: | | | |
| Deposit cash | 676,910 | - | 676,910 |
| Capital assets: | | | |
| Land, artwork, construction in progress | 257,025,393 | 10,540,162 | 267,565,555 |
| Depreciable capital assets, net | 122,308,657 | 24,363,709 | 146,672,366 |
| Total assets | <u>453,757,354</u> | <u>39,246,413</u> | <u>493,003,767</u> |
| LIABILITIES | | | |
| Accounts/claims payable | 2,126,947 | 684,594 | 2,811,541 |
| Employee wages payable | 186,960 | - | 186,960 |
| Accrued interest payable | 10,667 | - | 10,667 |
| Due to other governments | 64 | - | 64 |
| Customer deposits | 676,910 | - | 676,910 |
| Noncurrent liabilities: | | | |
| Due within one year | 588,193 | 86,227 | 674,420 |
| Due in more than one year | 4,227,075 | 315,682 | 4,542,757 |
| Total liabilities | <u>7,816,816</u> | <u>1,086,503</u> | <u>8,903,319</u> |
| DEFERRED INFLOWS | | | |
| Unearned revenues | 95,056 | - | 95,056 |
| Total deferred inflows | <u>95,056</u> | <u>-</u> | <u>95,056</u> |
| NET POSITION | | | |
| Net investment in capital assets | 375,067,384 | 34,903,871 | 409,971,255 |
| Restricted for: | | | |
| Capital projects | 3,564,937 | | 3,564,937 |
| Unrestricted | 67,213,161 | 3,256,039 | 70,469,200 |
| Total net position | <u>\$ 445,845,482</u> | <u>\$ 38,159,910</u> | <u>\$ 484,005,392</u> |

See accompanying notes to the financial statements

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

| 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 |
| Governmental activities: | | | | | | | |
| General government | \$ 5,672,187 | \$ 25,414 | \$ 874 | \$ - | \$ (5,645,899) | \$ - | \$ (5,645,899) |
| Security | 11,210,290 | 322,876 | 14,120 | - | (10,873,294) | - | (10,873,294) |
| Physical environment | 769,418 | 248,890 | 116,615 | - | (403,913) | - | (403,913) |
| Economic environment | 2,946,828 | 3,621,426 | 26,769 | - | 701,367 | - | 701,367 |
| Transportation | 9,078,077 | 4,176,163 | 170,675 | 5,286,254 | 555,015 | - | 555,015 |
| Mental/physical health | 8,525 | - | - | - | (8,525) | - | (8,525) |
| Culture and recreation | 5,330,077 | 1,129,379 | 284,320 | - | (3,916,378) | - | (3,916,378) |
| Interest on long-term debt | 22,667 | - | - | - | (22,667) | - | (22,667) |
| Total governmental activities | 35,038,069 | 9,524,148 | 613,373 | 5,286,254 | (19,614,294) | - | (19,614,294) |
| Business-type activities: | | | | | | | |
| Surface water management | 3,364,617 | 3,103,573 | - | 4,356,180 | - | 4,095,136 | 4,095,136 |
| Total business-type activities | 3,364,617 | 3,103,573 | - | 4,356,180 | - | 4,095,136 | 4,095,136 |
| Total government | \$ 38,402,686 | \$ 12,627,721 | \$ 613,373 | \$ 9,642,434 | (19,614,294) | 4,095,136 | (15,519,158) |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Property | | | | | 21,850,729 | - | 21,850,729 |
| Sales | | | | | 4,368,406 | - | 4,368,406 |
| Real estate excise | | | | | 4,640,298 | - | 4,640,298 |
| Other | | | | | 1,573,747 | - | 1,573,747 |
| Unrestricted investment interest | | | | | 114,281 | 10,377 | 124,658 |
| Miscellaneous | | | | | 482,523 | 32 | 482,555 |
| Total general revenues | | | | | 33,029,984 | 10,409 | 33,040,393 |
| Change in net position | | | | | 13,415,690 | 4,105,545 | 17,521,235 |
| Net position - beginning | | | | | 432,429,792 | 34,054,365 | 466,484,157 |
| Net position - ending | | | | | \$ 445,845,482 | \$ 38,159,910 | \$ 484,005,392 |

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

| | Major Funds | |
|--|----------------------|---------------------|
| | General | General CIP |
| ASSETS | | |
| Cash and cash equivalents | \$ 16,055,020 | \$ 5,561,666 |
| Cash with outside agencies | 32,428 | - |
| Investments | 9,700,669 | 3,214,243 |
| Receivables: | - | - |
| Taxes | 1,003,745 | - |
| Accounts | 197,799 | - |
| Interest | 8,505 | 2,833 |
| Contracts | 804,963 | - |
| Due from other governments | 193,266 | - |
| Restricted assets: | | |
| Deposit cash | 676,910 | - |
| Total assets | <u>\$ 28,673,305</u> | <u>\$ 8,778,742</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts/claims payable | \$ 1,299,699 | \$ - |
| Employee wages payable | 186,960 | - |
| Due to other governments | 64 | - |
| Payable from restricted assets: | | |
| Customer deposits | 676,910 | - |
| Total liabilities | <u>2,163,633</u> | <u>-</u> |
| Deferred inflows: | | |
| Deferred revenues | <u>1,136,939</u> | <u>1,965</u> |
| Total deferred inflows | <u>1,136,939</u> | <u>1,965</u> |
| Fund balances: | | |
| Nonspendable | 804,963 | - |
| Restricted | 83,750 | 203,372 |
| Committed | - | - |
| Assigned | 5,408,025 | 8,573,405 |
| Unassigned | <u>19,075,995</u> | <u>-</u> |
| Total fund balances | <u>25,372,733</u> | <u>8,776,777</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 28,673,305</u> | <u>\$ 8,778,742</u> |

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

Page 2 of 3

| Major Funds | | Non-Major Fund | |
|----------------------|----------------------|------------------------|--------------------------|
| Parks CIP | Transportation CIP | G.O. Debt Service Fund | Total Governmental Funds |
| \$ 10,196,131 | \$ 11,509,516 | \$ - | \$ 43,322,333 |
| - | - | - | 32,428 |
| 5,892,632 | 6,651,677 | - | 25,459,221 |
| - | - | - | - |
| 276,364 | 276,364 | - | 1,556,473 |
| 68,463 | 222,787 | - | 489,049 |
| 5,195 | 5,869 | - | 22,402 |
| - | - | - | 804,963 |
| 46,784 | - | - | 240,050 |
| - | - | - | 676,910 |
| <u>\$ 16,485,569</u> | <u>\$ 18,666,213</u> | <u>\$ -</u> | <u>\$ 72,603,829</u> |
| | | | |
| \$ 341,209 | \$ 392,750 | \$ - | \$ 2,033,658 |
| - | - | - | 186,960 |
| - | - | - | 64 |
| - | - | - | 676,910 |
| <u>341,209</u> | <u>392,750</u> | <u>-</u> | <u>2,897,592</u> |
| | | | |
| <u>69,459</u> | <u>213,397</u> | <u>-</u> | <u>1,421,760</u> |
| <u>69,459</u> | <u>213,397</u> | <u>-</u> | <u>1,421,760</u> |
| | | | |
| - | - | - | 804,963 |
| 1,889,781 | 1,388,034 | - | 3,564,937 |
| - | - | - | - |
| 14,185,120 | 16,672,032 | - | 44,838,582 |
| - | - | - | 19,075,995 |
| <u>16,074,901</u> | <u>18,060,066</u> | <u>-</u> | <u>68,284,477</u> |
| <u>\$ 16,485,569</u> | <u>\$ 18,666,213</u> | <u>\$ -</u> | <u>\$ 72,603,829</u> |

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2013

Total governmental fund balances \$ 68,284,477

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 thus not reported in the funds. 378,403,969

These assets consist of:

| | |
|-----------------------------------|--------------|
| Land | 254,052,349 |
| Construction in progress | 2,882,004 |
| Art | 91,041 |
| Buildings | 20,269,058 |
| Improvements other than buildings | 32,641,695 |
| Machinery and equipment | 4,242,334 |
| Depreciable infrastructure | 148,663,585 |
| Software | 392,588 |
| Less: accumulated depreciation | (84,830,685) |

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. (4,812,243)

These long-term liabilities consist of:

| | |
|-------------------------------|-------------|
| Bonds payable | |
| Unamortized discount of bonds | |
| Other long-term debt payable | (4,266,666) |
| Accrued debt interest payable | (10,667) |
| Compensated absences | (534,910) |

Unearned revenues are not available to pay for current period expenditures. 1,380,022

Due from Business type activities - charges by internal service funds were less than actual expenses. 132,686

Internal service funds are used by management to charge the costs of certain activities, such as
insurance and information services, to individual funds. The assets and liabilities of these internal
service funds are included in governmental activities in the statement of net position. 2,456,571

Net position of governmental activities \$ 445,845,482

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

| | Major Funds | |
|--|----------------------|---------------------|
| | General Fund | General CIP Fund |
| REVENUES | | |
| Taxes | \$ 26,122,751 | \$ - |
| Licenses and Permits | 2,037,092 | - |
| Intergovernmental | 1,904,085 | - |
| Charges for Services | 2,554,709 | - |
| Fines and Forfeitures | 167,472 | - |
| Investment Income | 14,939 | 22,185 |
| Contributions | 140,973 | - |
| Miscellaneous | 386,281 | - |
| Total Revenues | <u>33,328,302</u> | <u>22,185</u> |
| EXPENDITURES | | |
| Current | | |
| General Government | 5,131,441 | - |
| Security of Persons and Property | 10,910,664 | - |
| Physical Environment | 647,450 | - |
| Transportation | 4,443,236 | - |
| Economic Environment | 2,929,710 | - |
| Mental/Physical Health | 8,525 | - |
| Culture and Recreation | 3,097,055 | - |
| Capital Outlay | 16,888 | - |
| Debt Service | | |
| Principal | - | - |
| Interest and Debt Issue Costs | - | - |
| Total Expenditures | <u>27,184,969</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 6,143,333 | 22,185 |
| OTHER FINANCING SOURCES (USES) | | |
| Insurance Recovery | 30,346 | - |
| Transfers In | 770,000 | - |
| Transfers Out | (3,270,000) | - |
| Total other financing sources and uses | <u>(2,469,654)</u> | <u>-</u> |
| Net change in fund balances | 3,673,679 | 22,185 |
| Fund balances - beginning | 21,699,052 | 8,754,592 |
| Fund balances - ending | <u>\$ 25,372,731</u> | <u>\$ 8,776,777</u> |

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

Page 2 of 3

| Major Funds | | Non-Major Fund | Total Governmental Funds |
|----------------------|-------------------------|------------------------|--------------------------|
| Parks CIP Fund | Transportation CIP Fund | G.O. Debt Service Fund | |
| \$ 2,436,961 | \$ 2,320,149 | \$ - | \$ 30,879,861 |
| - | - | - | 2,037,092 |
| 226,287 | 406,210 | - | 2,536,582 |
| 733,224 | 4,117,063 | - | 7,404,996 |
| - | - | - | 167,472 |
| 35,478 | 40,305 | - | 112,907 |
| - | - | - | 140,973 |
| 182,333 | 111 | - | 568,725 |
| <u>3,614,283</u> | <u>6,883,838</u> | <u>-</u> | <u>43,848,608</u> |
| - | - | - | 5,131,441 |
| - | - | - | 10,910,664 |
| - | - | - | 647,450 |
| - | - | - | 4,443,236 |
| - | - | - | 2,929,710 |
| - | - | - | 8,525 |
| - | - | - | 3,097,055 |
| 2,228,007 | 2,143,556 | - | 4,388,451 |
| | | 533,333 | 533,333 |
| | | 24,000 | 24,000 |
| <u>2,228,007</u> | <u>2,143,556</u> | <u>557,333</u> | <u>32,113,865</u> |
| 1,386,276 | 4,740,282 | (557,333) | 11,734,743 |
| - | - | - | 30,346 |
| 2,885,000 | 385,000 | 557,333 | 4,597,333 |
| (385,000) | (942,333) | - | (4,597,333) |
| <u>2,500,000</u> | <u>(557,333)</u> | <u>557,333</u> | <u>30,346</u> |
| 3,886,276 | 4,182,949 | - | 11,765,089 |
| 12,188,625 | 13,877,117 | - | 56,519,386 |
| <u>\$ 16,074,901</u> | <u>\$ 18,060,066</u> | <u>\$ -</u> | <u>\$ 68,284,475</u> |

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, 2013

| | |
|--|----------------------|
| Net change in fund balances - total governmental funds | \$ 11,765,089 |
| Amounts reported for governmental funds in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between capital outlays and depreciation in the current period. | (3,331,477) |
| This amount is comprised of: | |
| Capital outlays | 4,388,451 |
| Current year depreciation | (7,719,928) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 4,570,959 |
| This amount is comprised of: | |
| Deferred inflows of tax revenues | (20,428) |
| Deferred inflows of grants and contracts revenue | (609,163) |
| Developer and private contributions | 5,290,523 |
| Interest Income | (2,473) |
| Cost of Impairment | (87,500) |
| Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position. | 533,333 |
| This amount is comprised of: | |
| Long-term debt repayments | 533,333 |
| 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. | (26,155) |
| This amount is comprised of: | |
| Accrued interest expense | 1,333 |
| Amortization of discount on general obligation bonds | |
| Accrued compensated absences expense | (27,488) |
| 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. | (96,061) |
| Change in net position of governmental activities. | <u>\$ 13,415,688</u> |

See accompanying notes to the financial statements.

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2013

| | Business-type Activities Enterprise Fund | Governmental Activities |
|---|--|----------------------------|
| | Surface Water Fund | Internal Service Funds |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,755,359 | \$ 1,034,866 |
| Investments | 1,592,400 | 598,077 |
| Receivables | | |
| Accounts | 126,065 | - |
| Due from other governments | - | |
| Interest | 1,404 | 528 |
| Total current assets | <u>4,475,228</u> | <u>1,633,471</u> |
| Capital assets: | | |
| Land | 10,255,780 | - |
| Buildings | 1,744,111 | - |
| Improvements other than buildings | 31,639,068 | - |
| Equipment | 23,668 | 2,713,756 |
| Construction in progress | 284,382 | - |
| Software | 10,470 | 69,644 |
| Less accumulated depreciation and amortization | <u>(9,053,608)</u> | <u>(1,853,319)</u> |
| Total capital assets (net of depreciation and amortization) | <u>34,903,871</u> | <u>930,081</u> |
| Total assets | <u>\$ 39,379,099</u> | <u>\$ 2,563,552</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 684,594 | \$ 93,289 |
| Compensated absences | 7,083 | 1,369 |
| Contract payable | 79,144 | - |
| Total current liabilities | <u>770,821</u> | <u>94,658</u> |
| Noncurrent Liabilities: | | |
| Compensated absences | 63,749 | 12,323 |
| Contracts payable | 251,933 | - |
| Total noncurrent liabilities | <u>315,682</u> | <u>12,323</u> |
| Total liabilities | <u>1,086,503</u> | <u>106,981</u> |
| NET POSITION | | |
| Net investment in capital assets | 34,903,871 | 930,082 |
| Unrestricted | 3,388,725 | 1,526,489 |
| Total net position | <u>\$ 38,292,596</u> | <u>\$ 2,456,571</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund. | <u>(132,686)</u> | |
| Net position of business-type activities | <u>\$ 38,159,910</u> | |

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2013

| | Business-type Activities Enterprise Fund | Governmental Activities |
|--|--|----------------------------|
| | Surface Water Fund | Internal Service Funds |
| OPERATING REVENUES: | | |
| Charges for services | \$ 3,103,573 | \$ 832,519 |
| Charges for replacement | - | 151,275 |
| Charges for insurance | - | 208,000 |
| Total operating revenues | 3,103,573 | 1,191,794 |
| OPERATING EXPENSES: | | |
| Administrative and general | 945,106 | 919,979 |
| Supplies | 90,930 | 72,176 |
| Maintenance and operations | 1,239,437 | 104,048 |
| Taxes | 59,270 | - |
| Depreciation | 906,762 | 211,248 |
| Total operating expenses | 3,241,505 | 1,307,451 |
| Operating loss | (137,932) | (115,657) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Investment income | 10,377 | 3,848 |
| Loss on impairment of capital assets | (87,500) | - |
| Interest expense | (19,877) | - |
| Miscellaneous | 32 | - |
| Total non-operating revenues(expenses) | (96,968) | 3,848 |
| Income (loss) before contributions | (234,900) | (111,809) |
| Capital contributions | 4,356,180 | - |
| Change in net position | 4,121,280 | (111,809) |
| Total net position - beginning | 34,171,316 | 2,568,380 |
| Total net position - ending | 38,292,596 | \$ 2,456,571 |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund. | (15,735) | |
| Change in net position of business-type activities | \$ 4,105,545 | |

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2013

| | Business-type Activities Enterprise Fund | Governmental Activities |
|---|--|----------------------------|
| | Surface Water Fund | Internal Services Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 3,019,495 | \$ 1,040,519 |
| Cash Received for Replacement | | 151,275 |
| Cash Payments to Suppliers | (425,222) | (80,620) |
| Cash Payments to Employees | (898,372) | (238,301) |
| Cash Payments to Other Governments | (227,546) | (79,910) |
| Cash Payments for Other Operating Expenses | (534,061) | (694,024) |
| Net Cash Provided (Used) By Operating Activities | <u>934,294</u> | <u>98,940</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Grants | 302,492 | |
| Principal Paid on Contracts | (75,106) | |
| Interest Paid on Contracts | (19,877) | |
| Transfers Out to Other Funds | | |
| Net Cash Provided By Noncapital Financing Activities | <u>207,509</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and Construction of Capital Assets | (543,821) | (449,873) |
| Proceeds from Sale of Other Assets | 32 | - |
| Capital Contributions | 560,862 | |
| Net Cash Used for Capital and Related Financing Activities | <u>17,073</u> | <u>(449,873)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Purchases | (1,592,400) | (598,078) |
| Investment Sales/Maturities | 1,195,731 | 744,742 |
| Interest on Investments | 9,903 | 3,900 |
| Net Cash Provided by Investing Activities | <u>(386,767)</u> | <u>150,564</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 772,109 | (200,369) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,983,250 | 1,235,235 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 2,755,359</u> | <u>\$ 1,034,866</u> |
| Cash at the End of the Year Consists of: | | |
| Operating Fund Cash | 2,755,359 | 1,034,866 |
| Total Cash at End of Year | <u>\$ 2,755,359</u> | <u>\$ 1,034,866</u> |

See accompanying notes to the financial statements.

| | Business-type Activities Enterprise Fund | Governmental Activities |
|--|--|----------------------------|
| | Surface Water Fund | Internal Services Funds |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating (Loss) | \$ (137,932) | \$ (115,657) |
| Adjustments to Reconcile Operating | | |
| Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 906,762 | 211,248 |
| Decrease (Increase) in Accounts Receivable | (84,078) | - |
| Increase (Decrease) in Accounts Payable | 237,196 | (189) |
| Increase (Decrease) in Compensated Absences Payable | 12,346 | 3,538 |
| Net Cash Provided (Used) by Operating Activities | \$ <u>934,294</u> | \$ <u>98,940</u> |
| Noncash Investing, Capital and Financing Activities: | | |
| Fair value of investments increased by | \$ (1,609) | \$ (769) |
| Contributed/Transferred Capital | 4,356,180 | |
| Net Noncash Activities | \$ <u>4,354,571</u> | \$ <u>(769)</u> |

See accompanying notes to the financial statements.

**CITY OF SAMMAMISH
NOTES TO THE
FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2013**

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

The City of Sammamish was incorporated on August 31, 1999 and operates under the laws of the State of Washington applicable to a Council/Manager form of government. The voters elect at-large a seven member City Council to four year terms. The Council in turn elects a mayor and a deputy mayor from its members.

The City provides what are considered general government services including public safety, arterials and streets, parks and recreation, planning and zoning, permits and inspections, general administrative, and surface water management services. The City contracts for police and fire services.

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

Reporting Entity

The City's Comprehensive Annual Financial Report (CAFR) includes all funds, agencies and boards controlled by or dependent on the City. Control by or dependence on the City was determined on the basis of financial accountability, budget adoption, taxing authority, outstanding debt service secured by revenues or general obligations of the City, obligations of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 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 and proprietary funds. 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 financial statements. Revenues are recorded when earned and expenses are recorded when the 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 sixty days after the end of the 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, are recorded only when payment is due.

Under the modified accrual basis of accounting, property taxes, sales 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.

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 **General Government, Parks and Transportation Capital Improvement Program (CIP) Funds** account for the financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of general government, park, and transportation capital facilities other than those financed by proprietary funds.

The City reports the following major proprietary fund:

The **Surface Water Fund** accounts for utility operations and capital projects. The fund is self-supported by revenues that include user fees, system development charges, intergovernmental grants and loans, and developer contributions. The utility is financed and operated like a private business enterprise which requires periodic determination of revenues earned, expenses incurred, and net income for capital maintenance, public policy, management control, and accountability.

Additionally the City reports the following fund type:

Internal service funds account for equipment rental and replacement, information technology and insurance services provided to other departments of the City on a cost reimbursement basis.

As a general rule the effect of interfund 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 equipment rental and maintenance, information technology and risk management. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. 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. 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 Sammamish budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. In compliance with the code, all funds have budgets. Budgets established for proprietary funds are "management budgets" and as such are not required to be reported in the financial statements.

The budget is proposed by the City Manager and adopted by the City Council with legal budgetary control at the fund level, i.e., the total of expenditures, other financing uses, and the ending fund balance may not exceed the total of beginning balances and budgeted receipts at the fund level. The City Manager may authorize transfers within funds; however, the City Council must approve by ordinance any additional appropriations, which increase the total for the fund. Any unexpended appropriation balances lapse at the end of the biennium.

In addition to authorizing the budget the City Council biennially approves the Capital Improvement 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 Improvements Program Funds.

The City prepares its budgets on the modified accrual basis, which conforms to generally accepted accounting principles. The CAFR includes budgetary comparisons for those governmental funds with legally adopted budgets. Budget amounts include the adopted budget appropriations and any revisions made during the biennium.

State law establishes the budget process and the time limits under which a budget must be developed. The City adopts its biennial budget in December of the year preceding the first year of the biennial budget. Step one involves the identification by the City Council of the mission and objectives for the following biennium. The second step involves forecasting revenue and the establishment of a baseline budget to carry the existing programs into the next biennium. The third step involves the development by each department director of their departmental budget requests. The City Manager develops a preliminary budget that is presented to the Council for review and public hearings. The Council approves an ordinance to adopt the budget. Supplemental appropriations that modify total fund expenditures require an ordinance amending the budget.

Assets, Liabilities and Equities

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. These investments are reported on the Statement of Net Position and the governmental funds balance sheets 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, and investments with the Local Government Investment Pool. Interest is allocated to each fund on the basis of investments owned.

The City, by State law, is authorized to purchase Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission; U.S. Treasury and Agency Securities; bankers' acceptances and repurchase agreements, and to invest in the Washington State Treasurer's Local Government Investment Pool (2a7- like). 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 are stated at fair value.

Receivables

The City of Sammamish recognizes receivables in its various funds based on the accounting basis required for the fund. These receivables are as follows:

Property Taxes

Uncollected property taxes levied for current and prior years are reported as receivable at year-end. The City's property tax collection records show that approximately 98% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. 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 uncollectable taxes is recorded.

Sales Taxes

Sales taxes collected for November and December but not remitted by the state to the City until January and February of the following year are reported as receivables at year-end. There is no allowance for uncollectable 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.

Accrued Interest Receivable

Accrued interest receivable consists of interest earned on investments at the end of the year and interest on investments purchased between interest dates.

Accounts Receivable

Accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided.

Contracts Receivable

The contract receivable is the result of an Asset Transfer Agreement between King County Fire Protection District No. 10 and the city, entered into when the city withdrew from District 10 and joined Eastside Fire and Rescue. The amount receivable is being collected over a twenty year period beginning in 2003. See Note 6.

Grants and Other Intergovernmental Revenues

Grants and entitlements from the Federal and State governments are recorded as intergovernmental revenues and receivables when earned and considered to be available. State shared revenues are recorded when received.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Prepaid items consist of annual maintenance contracts that span years and are recorded as expenditures at the time of purchase. Year-end balances of inventory and prepaid items are insignificant and accordingly no reservation of fund balance is reported in governmental funds for these items.

Proprietary funds of the city have no inventories. Payments to vendors for expenses related to future periods are recorded as prepaid expenses in the proprietary funds.

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 in the business-type activities column of the government-wide statement of net position and in both the enterprise fund and internal service fund columns of the statement of net position, proprietary funds. Capital assets include land, buildings, machinery, equipment, software, other improvements, vehicles, artwork and infrastructure. Capital assets, other than infrastructure, are defined by the City as assets with an original cost of \$5,000 or more each and an estimated life of more than one year. The City reports infrastructure on a network basis. Accordingly, the amounts spent for construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. Where historical cost is not known, assets are recorded at estimated historical cost. Donated assets are valued at estimated fair market value at the time of acquisition.

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

Land and works of art are not depreciated. Property, plant, equipment, and infrastructure 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 | 27.5 |
| Other Improvements | 15 |
| Vehicles | 10 |
| Machinery & Equipment | 3 – 20 |
| Surface Water Improvements | 40 |
| Infrastructure | 50 |

Compensated Absences

It is the City's policy to allow employees to accumulate earned but unused vacation, up to 80 hours of compensatory time in lieu of overtime, and up to 720 hours of sick leave benefits. A maximum of 240 hours of accumulated vacation may be carried over at year end. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed six months of service. Unused compensatory time and 25% of unused sick leave is payable at termination of employment or death. Outstanding sick leave at year-end is accrued at 25% of the balance available. 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 or retirements.

Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using a straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year in which they are spent.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other 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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, the liability account is reduced and corresponding revenue is recorded. Deferred revenues include uncollected property taxes, grants, and accounts receivable invoices not paid within 60 days of year end. Unearned revenues are those revenues received in advance of their due date. Unearned revenues consist of lease payments received in December for the following year.

Net Position and Fund Balance

In governmental fund types, fund equity is called "fund balance". Fund Balance is reported in the following classifications which reflect the extent to which the City is bound to honor constraints on the purposes for which the amounts can be spent: nonspendable, restricted, committed, assigned, and unassigned.

The City's policy is to spend restricted amounts first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the assumed order of spending is first committed, assigned, and then unassigned.

Note 12 provides a disaggregation of governmental fund balances between nonspendable, restricted, committed, and unassigned.

In proprietary funds, fund equity is called "net position". Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund Deficits and Overexpenditures

During 2013, no City funds exceeded total authorized appropriations at the fund level and there were no material violations of finance-related legal or contractual provisions.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

As of December 31, 2013 the carrying amount of the City's cash demand deposits with the City's Official Depository, Bank of America was \$1,443,039 and the bank balance was \$1,479,343. The outstanding checks totaled \$36,304. Petty cash funds totaled \$500. \$32,428 retained from contractors pending acceptance of City construction projects was held in escrow. The FDIC insures the first \$250,000 of the City's deposits. The Washington Public Deposit Protection Commission (WPDPC) insures the deposit balances over \$250,000. The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be assessed on a pro rata basis to members of the pool in the event the pool's collateral should be insufficient to cover a loss.

Deposit Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits. The City does not have a formal policy for deposit custodial credit risk beyond the requirements of State statute. State law restricts deposit of funds to financial institutions physically located in Washington unless otherwise expressly permitted by statute and authorized by the WPDPC.

Investments

As of December 31, 2013, the City had the following investments and maturities (in years):

| Investment Type | Fair Value | Less than 1 | 1 to 3 |
|--|----------------------|----------------------|----------------------|
| Federal Home Loan Bank | \$ 3,000,000 | \$ - | \$ 3,000,000 |
| Federal Home Loan Mortgage Corporation | 9,009,774 | 3,003,489 | 6,006,285 |
| Federal Farm Credit Bank | 9,011,922 | 3,005,334 | 6,006,588 |
| Federal National Mortgage Association | 3,004,641 | - | 3,004,641 |
| Municipal Bonds | 3,623,363 | 3,623,363 | - |
| Local Government Investment Pool | 46,399,747 | 46,399,747 | - |
| Total | <u>\$ 74,049,447</u> | <u>\$ 56,031,933</u> | <u>\$ 18,017,514</u> |

The City participates in the Washington State Treasurer's Local Government Investment Pool (LGIP), an unrated 2a7-like pool, as defined by GASB 31. 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 Office of the State Auditor, an independently elected public official, audits the LGIP annually.

Interest Rate Risk. As a means of minimizing risk of loss from interest rate fluctuations the City's official policy is to generally limit its investment maturities to one year. The City's informal policy is to target weighted average maturity of its investment portfolio to not exceed 24 months. The LGIP investment policy limits the purchase of investments in securities so the weighted average maturity of the portfolio doesn't exceed 90 days.

Credit Risk. Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City, by State law, is limited to investments in obligations of the U.S. government or its agencies, obligations of government-sponsored corporations,

banker's acceptances, interest bearing bank accounts, commercial papers, certificates of deposit, repurchase agreements, and in the LGIP. The LGIP is limited to obligations of the U.S. government, government sponsored enterprises, or insured demand deposits and certificates of deposit. City investments must have one of the three highest rating grades as defined by a nationally recognized rating agency. The City has no security lending arrangements or reverse repurchase agreements.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. By formal City policy investments in any one institution, other than the LGIP are limited to 25% of the institution's net worth as established by the WPDPC as well as being limited to a maximum of 40% in any one issuer. The City's informal investment management policy limits its investments in any one issuer to a maximum of 20%. As of 12/31/2013 there was no concentration of credit risk exceeding the policy guidelines.

The following table displays the City's credit ratings and investments in any one issuer (other than the LGIP) that represents 5% or more of the total portfolio.

| <u>Issuer</u> | <u>Credit Rating</u> | <u>Percentage of Portfolio</u> |
|--|----------------------|--------------------------------|
| Federal Home Loan Mortgage Corporation | AAA | 12.17% |
| Federal Farm Credit Bank | AAA | 12.17% |

NOTE 4: 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. |

During the year, property tax revenues are recognized when cash is received. At year-end, uncollected property taxes are recognized as receivables and revenue. Amounts collected more than 60 days after year-end are reported as unavailable revenues in governmental funds. Under Washington State law a city may levy property taxes up to \$3.60 per \$1,000 of assessed valuation.

The City's levy rate was 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, 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, or decreases, due to revaluation, the levy rate will be adjusted to levy the amount of property taxes approved by the City Council.

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

Accordingly, for 2013 the City levied \$2.59 per \$1,000 of assessed value for general governmental services, and had no voter approved excess levy.

NOTE 5:
CONTRACT RECEIVABLE

King County Fire Protection District 10: In 2001 the City entered into an Asset Transfer Agreement with King County Fire Protection District 10 when the City withdrew from District 10 and joined Eastside Fire and Rescue. The transfer agreement requires District 10 to pay \$1,788,803 to Eastside Fire and Rescue on behalf of the City of Sammamish over a twenty year period, with no interest, beginning in 2003, in lieu of paying this entire amount to the City upon the City's withdrawal from District 10.

| | <u>Contract Amount</u> | <u>Collected to Date</u> | <u>Balance as of 12/31/2013</u> |
|-------------|----------------------------|------------------------------|-------------------------------------|
| District 10 | \$ 1,788,803 | \$ 983,840 | \$ 804,963 |

| Annual contract payments receivable to maturity: | <u>Year</u> | <u>Principal</u> |
|--|-------------|-------------------|
| | 2014 | \$ 89,440 |
| | 2015 | 89,440 |
| | 2016 | 89,440 |
| | 2017 | 89,440 |
| | 2018 | 89,440 |
| | 2019-2023 | 357,763 |
| | Total | <u>\$ 804,963</u> |

NOTE 6:
CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

Primary Government

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 250,927,881 | \$ 3,211,968 | \$ (87,500) | \$ 254,052,349 |
| Construction in Progress | 3,455,542 | 3,357,314 | (3,930,854) | 2,882,003 |
| Art | 91,041 | - | - | 91,041 |
| Total capital assets, not being depreciated | <u>254,474,465</u> | <u>6,569,282</u> | <u>(4,018,354)</u> | <u>257,025,393</u> |
| Capital assets, being depreciated or amortized: | | | | |
| Buildings & Building Improvements | 20,269,058 | - | - | 20,269,058 |
| Improvements other than Buildings | 29,592,368 | 3,049,328 | - | 32,641,696 |
| Machinery & Equipment | 6,512,602 | 500,188 | (56,702) | 6,956,088 |
| Infrastructure | 144,716,027 | 3,947,561 | - | 148,663,588 |
| Software | 523,741 | 15,000 | (76,508) | 462,233 |
| Total capital assets, being depreciated or amortized | <u>201,613,796</u> | <u>7,512,077</u> | <u>(133,210)</u> | <u>208,992,662</u> |

| | | | | |
|---|-----------------------|---------------------|-----------------------|-----------------------|
| Less accumulated depreciation and amortization for: | | | | |
| Buildings & Building Improvements | 4,656,305 | 737,146 | - | 5,393,451 |
| Improvements other than Buildings | 11,957,677 | 2,142,752 | - | 14,100,429 |
| Machinery & Equipment | 4,414,902 | 429,181 | (56,702) | 4,787,381 |
| Infrastructure | 57,542,144 | 4,563,807 | - | 62,105,951 |
| Software | 315,021 | 58,280 | (76,508) | 296,793 |
| Total accumulated depreciation and amortization | 78,886,050 | 7,931,166 | (133,210) | 86,684,005 |
| Total capital assets, being depreciated or amortized, net | 122,727,746 | (419,089) | - | 122,308,657 |
| Governmental Activities Capital Assets, net | <u>\$ 377,202,211</u> | <u>\$ 6,150,193</u> | <u>\$ (4,018,354)</u> | <u>\$ 379,334,050</u> |

Business-Type Activities:

| | | | | |
|---|----------------------|---------------------|--------------------|----------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 8,912,489 | \$ 1,430,790 | \$ (87,500) | \$ 10,255,780 |
| Construction in Progress | - | 284,382 | - | 284,382 |
| Total capital assets, not being depreciated | 8,912,489 | 1,715,172 | (87,500) | 10,540,161 |
| Capital Assets, being depreciated or amortized: | | | | |
| Buildings & Building Improvements | 1,744,111 | - | - | 1,744,111 |
| Improvements other than Buildings | 28,825,768 | 2,813,301 | - | 31,639,068 |
| Machinery & Equipment | 11,614 | 12,054 | - | 23,668 |
| Software | 10,470 | - | - | 10,470 |
| Total capital assets, being depreciated or amortized | 30,591,963 | 2,825,355 | - | 33,417,318 |
| Less Accumulated Depreciation or amortization for: | | | | |
| Buildings & Building Improvements | 126,844 | 63,422 | - | 190,266 |
| Improvements other than Buildings | 8,005,953 | 839,966 | - | 8,845,919 |
| Machinery & Equipment | 3,572 | 3,381 | - | 6,953 |
| Software | 10,469 | - | - | 10,469 |
| Total accumulated depreciation and amortization | 8,146,839 | 906,769 | - | 9,053,608 |
| Total capital assets, being depreciated or amortized, net | 22,445,124 | 1,918,586 | - | 24,363,710 |
| Business-Type Activities Capital Assets, net | <u>\$ 31,357,613</u> | <u>\$ 3,633,758</u> | <u>\$ (87,500)</u> | <u>\$ 34,903,871</u> |

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

| | |
|--|---------------------|
| General Government | \$ 557,629 |
| Security | 300,772 |
| Physical Environment | - |
| Transportation, including depreciation of General Government Infrastructure assets | 4,637,110 |
| Culture and Recreation | 2,224,417 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of those assets | 211,248 |
| Total depreciation and amortization expense - Governmental Activities | <u>\$ 7,931,176</u> |
| Business-Type Activities: | |
| Surface Water Management | <u>\$ 906,762</u> |
| Total depreciation and amortization expense - Business-Type Activities | <u>\$ 906,762</u> |

NOTE 7: OPERATING LEASES

Youth Eastside Services

Effective March 1, 2010, the City entered into a ten-year lease with Youth Eastside Services (YES), a non-profit corporation providing services to citizens of Sammamish. YES leases the main floor of a two-story building (Sween House), an attached garage, and adjacent parking area. The downstairs of the building is used by the city. The building and adjacent parking are reported on the city's Statement of Net Position as part of depreciable assets.

In consideration of the value of YES's contribution to the human service needs of residents of the city and the maintenance and operation of the premises, YES pays no rent during the term of the lease agreement. The City is responsible for maintaining the structural and exterior components of the building; mechanical, electrical and plumbing systems; and the parking area, sidewalks, paths and grounds around the premises. YES is responsible for paying utilities; taxes; and for routine interior maintenance and repair.

The Boys and Girls Club of King County

Effective November 2, 2010, the City entered into a ten-year lease with The Boys and Girls Club of King County (the Club), a non-profit corporation providing services to citizens of Sammamish. The Club leases a former library and the adjacent parking area that was purchased by the city from the King County Library System in 2010. The building and adjacent parking are reported on the city's Statement of Net Position as part of depreciable assets. The Club remodeled and will operate the premises as a learning and recreation center for teens.

In consideration of the value of the Club's contribution to the recreation needs of the residents of the City, the tenant improvements to the premises, and the maintenance and operation of the premises, the Club shall pay to the city an annual rent of \$1.00. The City is responsible for maintaining the structural and exterior components of the building such as the roof and exterior cladding; major repairs to the mechanical, electrical and plumbing systems; and major repairs to the parking area, sidewalks, paths and grounds around the premises. The Club is responsible for routine maintenance and repair of the interior and exterior premises including landscape and janitorial services; utilities; and taxes.

King County Sheriff's Office

On April 26, 2011, the City entered into a lease with the King County Sheriff's Office (KCSO) for office space located in City Hall. The lease term is ten-years, with an effective date commencing upon substantial completion of the KCSO's tenant improvements, subsequently determined to be March 1, 2012.

Annual lease payments to the City are \$104,000, to be adjusted annually based on the cumulative increase in the Consumer Price Index for All Urban Customers- All Items- Seattle- Tacoma- Bremerton published by the United States Department of Labor, Bureau of Statistics for the preceding twelve consecutive month period. The KCSO is also responsible for their proportionate share of electrical, janitorial, and other shared overhead costs. The city is responsible for maintaining the structural and exterior components of the building; mechanical, electrical and plumbing systems; and the parking area, sidewalks, paths and grounds around the premises.

Sammamish Heritage Society

On December 1, 2011, the City entered into a 15-year lease with the Sammamish Heritage Society (the Society), a Washington nonprofit corporation. The Society will move a historic structure (the Reard-Freed House) from its current location, to private property, for which the City obtained an easement. The Society will also undertake a complete renovation of the House. Both the move and renovation are at the sole cost of the Society.

In consideration of the value of the Society's contribution to the recreation needs of the City, the tenant improvements to the premises, and the maintenance and operation of the premises, the Society shall pay to the city an annual rent of \$1.00.

The Society is responsible for maintaining the structural and exterior components of the building such as the roof and exterior cladding; major repairs to the mechanical, electrical and plumbing systems; and major repairs to the parking area, sidewalks, paths and grounds around the premises. The Society is also responsible for routine maintenance and repair of the interior and exterior premises including landscape and janitorial services; utilities; and taxes.

Schedule of Leased Property

| <u>Asset</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Carrying Value</u> |
|-----------------------|---------------------|-------------------------------------|-----------------------|
| Sween House | \$ 268,925 | \$ 39,116 | \$ 229,809 |
| Library | 1,682,086 | 244,668 | 1,437,418 |
| KCSO Office Space | 580,355 | 21,104 | 559,251 |
| Total Leased Property | <u>\$ 2,531,366</u> | <u>\$ 304,888</u> | <u>\$ 2,226,478</u> |

2013 Depreciation Expense \$ 92,050

NOTE 8: PENSION PLANS

Substantially all City 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 retirement plans. 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 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description. The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multi-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members, unless they exercise an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is two percent of the AFC for each year of service reduced by two percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2011. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is two percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (EFR) that varies according to age, for each year before age 65.

PERS Plan 2 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 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is one percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contributions retirement benefits are solely dependent upon contributions and the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is two percent of the AFC per year of service. For Plan 3, the monthly benefit amount is one percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

There are 2,304 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and beneficiaries receiving benefits – 82,242
 Terminated plan members entitled to but not yet receiving benefits – 30,515
 Active plan members vested – 106,317
 Active plan members nonvested – 44,273
 Total – 263,347

Funding Policy. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined

contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program (JBM) in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013 are as follows:

Members not participating in JBM:

| | PERS PLAN 1 | PERS PLAN 2 | PERS PLAN 3 |
|------------|-------------|-------------|-------------|
| Employer*: | 9.21%** | 9.21%** | 9.21%** |
| Employee: | 6.00%**** | 4.92%**** | ***** |

* The employer rates include the employer administrative fee currently set at 0.16%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

| | <u>PERS PLAN 1</u> | <u>PERS PLAN 2</u> | <u>PERS PLAN 3</u> |
|------|--------------------|--------------------|--------------------|
| 2013 | \$ 0 | \$ 401,432 | \$ 125,842 |
| 2012 | \$ 0 | \$ 222,788 | \$ 94,608 |
| 2011 | \$ 0 | \$ 291,588 | \$ 66,261 |

401(a) Plan

Permanent City employees participate in a 401(a) Plan that is a replacement for the Social Security System. Permanent employees working 1040 or more hours per year are required to participate in the plan. ICMA Retirement Corporation administers the plan.

The 401(a) Plan is a defined contribution plan with participants contributing an amount equal to the current Social Security rate (7.65%) of their salary. Employees contribute 6.2% to the 401(a) Plan and 1.65% to Medicare. The City contributes 6.2% for permanent employees. Employee contributions during 2012 were \$379,903. City contributions were \$379,039. The Medicare portion of social security contributed by employees was \$99,568.

Plan assets are not the property of the City and are not subject to the claims of the City's general creditors.

Other Employee Benefits

Employees are covered by a long-term disability plan that takes effect after 90 days. Coverage is provided at 67% of the employee's monthly salary. It is capped at a maximum payout of \$8,000 per month.

Life Insurance is provided equal to two times an employee's annual salary.

The City offers its employees a voluntary 457 deferred compensation plan. ICMA Retirement Corporation administers this plan. The monies deposited to this plan are not considered resources available to the City. Employees may contribute up to \$17,500 of wages to this plan per year.

**NOTE 9:
CONSTRUCTION COMMITMENTS**

The City has active construction projects as of December 31, 2013. The projects include widening and construction of existing streets, sidewalks, and bridges; and building improvements.

| | <u>Spent-to-Date</u> | <u>Remaining Commitment</u> |
|--------------------------------|----------------------|---------------------------------|
| Street and Bridge Construction | \$ 1,045,970 | \$ 869,968 |
| Total | <u>\$ 1,045,970</u> | <u>\$ 869,968</u> |

**NOTE 10:
INTERFUND TRANSFERS**

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------|-------------------------|--------------------------|
| General Fund | 770,000 | 3,270,000 |
| G.O. Debt Service Fund | 557,333 | - |
| Parks CIP Fund | 2,885,000 | 385,000 |
| Transportation CIP Fund | 385,000 | 942,333 |
| Total Transfers | <u>\$ 4,597,333</u> | <u>\$ 4,597,333</u> |

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 funds collecting the receipts to a debt service fund as payments become due, to use unrestricted revenues in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations, and to transfer funds to the Fleet Maintenance Internal Service Fund for future replacement of city vehicles.

**NOTE 11:
LONG-TERM OBLIGATIONS**

Public Works Trust Fund Loan

2001 GO Public Works Trust Fund Loan: In May of 2001, the City transacted a General Obligation Public Works Trust Fund Loan for transportation infrastructure improvements in the amount of \$10,000,000 at a rate of 0.5%. This loan has a term of 20 years.

| | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Amount Issued</u> | <u>Redemptions to Date</u> | <u>Outstanding 12/31/2013</u> |
|-------------------------------------|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------------|-----------------------------------|
| 2001 PWTFL | 05/11/01 | 05/18/21 | 0.5% | \$ 10,000,000 | \$ 5,733,333 | \$ 4,266,667 |
| Total Public Works Trust Fund Loans | | | | <u>\$ 10,000,000</u> | <u>\$ 5,733,333</u> | <u>\$ 4,266,667</u> |

Annual debt service requirements to maturity for the loans are as follows:

Governmental Activities

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|---------------------|------------------|
| 2014 | \$ 533,333 | \$ 21,333 |
| 2015 | 533,333 | 18,667 |
| 2016 | 533,333 | 16,000 |
| 2017 | 533,333 | 13,333 |
| 2018 | 533,333 | 10,667 |
| 2019-2021 | 1,600,000 | 16,000 |
| | <u>\$ 4,266,667</u> | <u>\$ 96,000</u> |

Surface Water LTGO Revenue Bonds

Prior to incorporation in 1999, the area which is currently the City of Sammamish was part of King County. In 1996 and 1999 King County issued Limited General Obligation (LTGO) bonds payable from revenues generated by King County Surface Water fees to fund capital projects. As part of the City's incorporation process a share of each bond issue, based on assessed valuation of the City, became an obligation of the City although none of the projects financed by the bonds were built within the City limits. Therefore, this debt is not used in the calculation of Net Investment in Capital Assets on the Statement of Net Position. In 2009, the city annexed property from King County, increasing the city's share of the 1996 bond issue by \$5,911 and the 1999 bond issue by \$3,530. The City recognizes this debt obligation on its financial statements (per RCW 36.89.120) as a contract payable based on an interlocal contract with King County.

| | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Amount Issued</u> | <u>Redemptions to Date</u> | <u>Outstanding 12/31/2013</u> |
|------------------|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------------|-----------------------------------|
| 1996 LTGO Bond | 02/10/96 | 01/01/16 | 5.0% - 5.25% | \$ 733,552 | \$ 552,550 | \$ 181,002 |
| 1999 LTGO Bond | 05/01/99 | 12/01/19 | 4.0% - 5.25% | 368,338 | 218,263 | 150,075 |
| Total LTGO Bonds | | | | <u>\$ 1,101,890</u> | <u>\$ 770,813</u> | <u>\$ 331,077</u> |

Annual debt service requirements to maturity for the loans are as follows:

Business-Type Activities

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|-------------------|------------------|
| 2014 | \$ 79,144 | \$ 15,840 |
| 2015 | 83,365 | 11,619 |
| 2016 | 87,816 | 7,168 |
| 2017 | 25,545 | 4,244 |
| 2018 | 26,904 | 2,885 |
| 2019 | 28,303 | 1,486 |
| | <u>\$ 331,077</u> | <u>\$ 43,242</u> |

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|-------------------|-----------------------|---------------------|------------------------|
| Governmental Activities: | | | | | |
| PWTFL | 4,800,000 | - | (533,333) | 4,266,667 | 533,333 |
| Compensated absences | 517,575 | 595,244 | (564,216) | 548,603 | 54,860 |
| Total Governmental Activities | <u>\$ 5,317,575</u> | <u>\$ 595,244</u> | <u>\$ (1,097,549)</u> | <u>\$ 4,815,270</u> | <u>\$ 588,194</u> |
| Business-Type Activities: | | | | | |
| Surface Water Revenue Bonds | \$ 406,183 | \$ - | \$ (75,106) | \$ 331,077 | \$ 79,144 |
| Compensated absences | 58,486 | 75,037 | (62,691) | 70,832 | 7,083 |
| Total Business-Type Activities | <u>\$ 464,669</u> | <u>\$ 75,037</u> | <u>\$ (137,797)</u> | <u>\$ 401,909</u> | <u>\$ 86,227</u> |

Internal service funds predominately serve the governmental funds. Accordingly, long term liabilities for them are included as part of the above totals for governmental activities. At year end \$13,693 of internal service funds compensated absences are included in the above amounts. Compensated absences for governmental activities are liquidated from the general fund.

NOTE 12: GOVERNMENTAL FUND BALANCES

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified based primarily on the extent to which the City is bound to observe certain constraints imposed upon the resources in the fund as follows:

- Nonspendable represents the portion of fund balance that is not in spendable form such as inventories, prepaid items, and long-term receivables.
- Restricted signifies those portions of fund balance where constraints placed on the resources are either externally imposed, or imposed by law through enabling legislation.
- Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Commitments are established, modified, or rescinded only by adoption of an ordinance.
- Assigned fund balance is identified by the City's intent to use the funds for a specific purpose. Fund balance amounts may be assigned by the City Manager or Finance Director based on Council direction.
- Unassigned fund balance is the residual amount of the General Fund not reported in any of the above four categories. These amounts are technically available for any purpose.

A summary of governmental fund balances at December 31, 2013 are as follows:

| | Major Funds | | | | Nonmajor Fund | |
|----------------------|----------------------|---------------------|----------------------|----------------------|---------------|----------------------|
| | | General | Parks | Transportation | G.O. Debt | |
| | General | CIP | CIP | CIP | Service | Total |
| | | | | | Fund | |
| Nonspendable: | | | | | | |
| Long-term receivable | \$ 804,963 | \$ - | \$ - | \$ - | \$ - | \$ 804,963 |
| Restricted for: | | | | | | |
| Law enforcement | - | 203,372 | - | - | - | 203,372 |
| Transportation | 83,750 | - | - | 1,388,034 | - | 1,471,784 |
| Parks and recreation | - | - | 1,889,781 | - | - | 1,889,781 |
| Committed: | - | - | - | - | - | - |
| Assigned for: | | | | | | |
| General Government | - | 8,573,405 | - | - | - | 8,573,405 |
| Transportation | 5,408,025 | - | - | 16,672,032 | - | 22,080,057 |
| Parks and recreation | - | - | 14,185,120 | - | - | 14,185,120 |
| Unassigned: | 19,075,995 | - | - | - | - | 19,075,995 |
| Total Fund Balances | <u>\$ 25,372,733</u> | <u>\$ 8,776,777</u> | <u>\$ 16,074,901</u> | <u>\$ 18,060,066</u> | <u>\$ -</u> | <u>\$ 68,284,477</u> |

Strategic Reserve Allocation

The City has adopted a strategic reserve policy that is categorized as unassigned under GASB No. 54. The amount of the reserve is set at ten percent of the annual budgeted revenues of the General Fund, which is \$4,615,784 for 2013 and \$3,033,064 for 2014. The strategic reserve may be spent to provide sufficient working capital for City programs, to maintain City services at an appropriate level, to fund unanticipated one-time expenditures, or in the event of an emergency declared by the City Manager.

NOTE 13: OTHER POST EMPLOYMENT BENEFITS

Association of Washington Cities Employee Benefit Trust

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

Funding Policy. The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute monthly as follows: \$410 in 2011, \$422 in 2012, and \$443 in 2013 for Medicare enrolled retiree-only coverage; \$752 in 2011, \$789 in 2012, and \$830 in 2013 for non-Medicare enrolled retiree-only coverage; \$1,508 in 2011, \$1,578 in 2012, and \$1,667 for non-Medicare enrolled retiree and spouse coverage; \$1,166 in 2011, \$1,218 in 2012, and \$1,280 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medical enrolled retiree and Medicare-enrolled spouse); and \$825 in 2011, \$855 in 2012, and \$899 for Medicare-enrolled retiree and spouse coverage.

Participating Employers are contractually required to contribute at rates assessed each year by the Trust for all active covered employees. The City requires all employees to contribute 10% of their dependent's premium costs. The City's contribution to the Trust for the years ended in December 31st were \$1,106,977 in 2011, \$1,120,178 in 2012, and \$1,268,497 in 2013, and the employee's dependent premium contributions were \$26,028 in 2011, \$31,918 in 2012, and \$51,019 which equaled the required contributions for the year. The Trust pays benefits for both active employees and retirees from the same pool of assets.

NOTE 14: CONTINGENCIES AND LITIGATION

As of December 31, 2013, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, with which the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims or lawsuits, would affect materially the financial condition of the City.

NOTE 15: RISK MANAGEMENT

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

Utilizing Chapter 48.62 RCW (self-insurance) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 150 Members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self-insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The

WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

For the past three years, the insurance settlements did not exceed the coverage that the City had obtained.

NOTE 16: JOINT VENTURES

E-Gov Alliance

On March 25, 2002, the City of Bellevue and principal cities adopted a resolution establishing the E-Gov Alliance between the City of Bellevue and the cities of Bothell, Burien, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish, and Woodinville. Since then additional cities have joined the Alliance as subscribers. The Alliance establishes on-line services through a jointly operated internet portal. Additionally, the Alliance has established a partnership with Microsoft to help define the E-Gov architecture, provide consulting services, offer training, and receive donated software.

The interlocal agreement may be terminated if the principals holding at least sixty percent of the weighted vote of all the principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the principals based upon the principal's proportional ownership interest at the time of the sale of the property. The City's share of the net position is deemed immaterial and thus not reflected in the financial statements.

Financial information may be obtained from Beverly Ni, City of Bellevue, Information Technology Department, P.O. Box 90012, Bellevue, WA 98009-9012.

Eastside Fire and Rescue

In 1999, through an interlocal agreement as provided by RCW 39.34, the consolidation of several agencies created a new Fire and Emergency Medical Services agency called Eastside Fire and Rescue (EF&R). The agencies (principals) joining in this consolidation included King County Washington Fire Protection Districts 10 and 38, and the Cities of Issaquah and North Bend, with the City of Sammamish joining in January 2001. The current Interlocal Agreement is for a seven-year period ending December 31, 2014. Any party may withdraw at the end of any seven-year term by filing with the other parties a notice of withdrawal in January of the seventh year.

At inception the principals provided real property and equipment for use by EF&R. Title and ownership of these capital assets, and their replacements, remains with the principals.

EF&R is a joint venture partnership. The entities retain an equity interest in EF&R based on their support of EF&R operations. As of December 31, 2013 the equity percentage was as follows:

| <u>Entity</u> | <u>Share</u> |
|--------------------|--------------|
| Fire District 10 | 43.50% |
| Fire District 38 | 6.09% |
| City of Issaquah | 20.52% |
| City of North Bend | 4.42% |
| City of Sammamish | 25.47% |

EF&R is governed by a Joint Board of Directors, which meets on the second Tuesday of each month. The Board consists of eight Directors appointed from each of the principal's elected officials in the following ratios:

| <u>Entity</u> | <u>Directors</u> |
|--------------------|------------------|
| Fire District 10 | 2 |
| Fire District 38 | 1 |
| City of Issaquah | 2 |
| City of North Bend | 1 |
| City of Sammamish | 2 |

The Districts levy regular real property and emergency medical services taxes at the maximum rate allowed by law. The Directors deposit taxes, as agreed upon and approved by the Directors, with the Board of Directors in June and December.

The amount of annual contribution for the Cities, and the amount of additional services contribution, if any, is determined by the respective legislative bodies, after recommendation by the Board of Directors. Annually, Cities contribute financially according to a funding model established in 2004. The model utilizes calls for service to establish a first due area of response for each fire station and then applies the surrounding assessed value by jurisdiction to derive each jurisdiction's portion of cost for that station. The total of all stations establishes each partner's share of the total cost of operation. The EF&R Board then establishes a monthly billing schedule which the partners are obligated to pay in a timely fashion. The funding model formula allocated 28.36% of the cost of operations to Sammamish. The Equipment Replacement funding uses the same contribution percentages against the total need established by the EF&R Board in concert with the operating budget.

The City's contributions for the last five years are as follows:

| <u>Year</u> | <u>Contributions</u> |
|-------------|----------------------|
| 2009 | 5,556,424 |
| 2010 | 5,618,622 |
| 2011 | 5,661,427 |
| 2012 | 5,855,427 |
| 2013 | 5,959,215 |

All real and personal property acquired prior to the agreement remains the property of the acquiring member, with exclusive access and control over the property by EF&R. All property acquired pursuant to the Agreement shall be identified by the Board upon acquisition as joint or separate property. Upon termination of the Agreement, all separate property shall be returned to the owner; the net value of all jointly owned property shall be calculated, and each party shall receive or pay, as applicable, the total net amount to the other, in cash or jointly owned property. The city records the capital assets in the Governmental Activities column of its Statement of Net Position.

Upon dissolution, the agreement provides for distribution of net position 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 remaining share of net position is deemed immaterial and thus is not reflected in its financial statements.

Audited financial information can be obtained from Scott Faires, Eastside Fire and Rescue, 175 NW Newport Way, Issaquah, WA 98027.

ARCH-Housing Coalition

In November 1992, the City of Bellevue joined the cities of Redmond and Kirkland and King County to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 and November 1999 to add clarifying language regarding responsibility and dissolution. Since its inception, the Cities of Beau Arts Village, Bothell, Clyde Hill, Hunts Pont, Issaquah, Kenmore, Mercer Island, Newcastle, Sammamish, Woodinville, and Yarrow Point have joined ARCH.

The purpose of ARCH is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants, and HUD grants.

ARCH is governed by an Executive Board composed of the 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 is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population. The City's contributions for the last five years were as follows:

| <u>Year</u> | <u>Budget</u> | <u>Sammamish's Share</u> | <u>Percentage</u> |
|-------------|---------------|--------------------------|-------------------|
| 2009 | 498,193 | 46,188 | 9.27% |
| 2010 | 498,231 | 46,188 | 9.27% |
| 2011 | 499,875 | 46,188 | 9.24% |
| 2012 | 521,167 | 46,188 | 8.90% |
| 2013 | 543,948 | 49,167 | 9.04% |

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution the agreement, as amended, provides for distribution of net position among 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 net position 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 87th Street, Redmond, WA 98052.

NOTE 17: ARBITRAGE STATEMENT

The City of Sammamish had no arbitrage liability at the end of 2013. The Public Works Trust Loan proceeds were spent with in twelve months of receipt.

CITY OF SAMMAMISH

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Mid-Biennium Ended December 31, 2013

| | Original Budget 2013-2014 | Final Budget 2013-2014 | Actual Through 12/31/13 | Variance with Final Budget Positive (Negative) |
|--|---------------------------------|------------------------------|----------------------------|---|
| REVENUES AND OTHER FINANCING SOURCES | | | | |
| Taxes | \$ 51,322,300 | \$ 51,840,000 | \$ 26,122,751 | \$ (25,717,249) |
| Licenses and permits | 3,225,200 | 3,701,700 | 2,037,092 | (1,664,608) |
| Intergovernmental | 1,234,100 | 1,398,200 | 1,904,085 | 505,885 |
| Charges for services | 3,555,500 | 4,164,700 | 2,554,709 | (1,609,991) |
| Fines and forfeitures | 236,500 | 236,500 | 167,472 | (69,028) |
| Investment income | 105,000 | 105,000 | 14,939 | (90,061) |
| Contributions | 248,880 | 248,880 | 140,973 | (107,907) |
| Miscellaneous | 652,000 | 652,000 | 386,281 | (265,719) |
| Total revenues | <u>60,579,480</u> | <u>62,346,980</u> | <u>33,328,302</u> | <u>(29,018,678)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 12,270,926 | 12,138,126 | 5,131,441 | 7,006,685 |
| Security of persons and property | 22,855,328 | 24,652,728 | 10,910,662 | 13,742,066 |
| Physical environment | 1,233,109 | 1,300,559 | 647,450 | 653,109 |
| Transportation | - | - | 4,443,236 | (4,443,236) |
| Economic development | 7,490,790 | 8,194,890 | 2,929,710 | 5,265,180 |
| Mental/physical health | 24,000 | 24,000 | 8,525 | 15,475 |
| Cultural and recreation | 6,811,934 | 6,563,734 | 3,097,055 | 3,466,679 |
| Capital outlay | 3,015,000 | 3,015,000 | 16,888 | 2,998,112 |
| Total expenditures | <u>53,701,087</u> | <u>55,889,037</u> | <u>27,184,967</u> | <u>28,704,070</u> |
| Excess (deficiency) of revenues over (under) expenditures | 6,878,393 | 6,457,943 | 6,143,335 | (314,608) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance recovery | - | - | 30,346 | 30,346 |
| Transfers in | - | - | 770,000 | 770,000 |
| Transfers out | (15,500,000) | (15,500,000) | (3,270,000) | 12,230,000 |
| Total other financing sources and uses | <u>(15,500,000)</u> | <u>(15,500,000)</u> | <u>(2,469,654)</u> | <u>13,030,346</u> |
| Net change in fund balance | (8,621,607) | (9,042,057) | 3,673,681 | 12,715,738 |
| Fund balance - beginning | 15,909,000 | 18,340,898 | 21,699,052 | 3,358,154 |
| Fund balance - ending | <u>\$ 7,287,393</u> | <u>\$ 9,298,841</u> | <u>\$ 25,372,733</u> | <u>\$ 16,073,892</u> |

BUDGETARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

The City of Sammamish budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. In compliance with the code, all funds have budgets. Budgets established for proprietary funds are “management budgets” and as such are not required to be reported in the financial statements.

The budget is proposed by the City Manager and adopted by the City Council with legal budgetary control at the fund level, i.e., the total of expenditures, other financing uses, and the ending fund balance may not exceed the total of beginning balances and budgeted receipts at the fund level. The City Manager may authorize transfers within funds; however, the City Council must approve by ordinance any additional appropriations, which increase the total for the fund. Any unexpended appropriation balances lapse at the end of the biennium.

In addition to authorizing the budget the City Council biennially approves the Capital Improvement 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 Improvements Program Funds.

The City prepares its budgets on the modified accrual basis, which conforms to generally accepted accounting principles. The CAFR includes budgetary comparisons for those governmental funds with legally adopted budgets. Budget amounts include the adopted budget appropriations and any revisions made during the biennium.

State law establishes the budget process and the time limits under which a budget must be developed. The City adopts its biennial budget in December of the year preceding the first year of the biennial budget. Step one involves the identification by the City Council of the mission and objectives for the following biennium. The second step involves forecasting revenue and the establishment of a baseline budget to carry the existing programs into the next biennium. The third step involves the development by each department director of their departmental budget requests. The City Manager develops a preliminary budget that is presented to the Council for review and public hearings. The Council approves an ordinance to adopt the budget. Supplemental appropriations that modify total fund expenditures require an ordinance amending the budget.

Budget to GAAP Reconciliation

Actuals reported in the General Fund, include the activities of the Street Fund. The Street Fund does not meet the criteria set forth by GASB Statement No. 54 for classification as a special revenue fund, and is therefore, included in the General Fund for financial reporting purposes. However, the Street Fund remains operational and is budgeted as a separate fund in the budget ordinance. To demonstrate budgetary legal compliance, a budget to actual schedule with both General and Street Funds is included in the Fund Financial Statements and Schedules section of this report.



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 as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

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Director of Performance and State Audit
Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
Deputy Director of Performance Audit
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