



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

City of Sammamish

King County

For the period January 1, 2014 through December 31, 2014

Published August 17, 2015

Report No. 1014833





Washington State Auditor's Office

August 17, 2015

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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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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, 2014 through December 31, 2014**

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, 2014, 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 26, 2015.

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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

June 26, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Sammamish King County January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sammamish, as of December 31, 2014, 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 10 through 20 and budgetary comparison information on pages 56 through 57 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 26, 2015 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

June 26, 2015

FINANCIAL SECTION

**City of Sammamish
King County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental
Activities – 2014

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2014

Statement of Cash Flows – Proprietary Funds – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– General Fund — 2014

Notes to Required Supplementary Information - 2014

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, 2014. 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 \$498.8 million, an increase of \$14.8 million over the 2013 ending net position. Of this increase, \$9.8 million is due to the acquisition of capital assets, including land, buildings, equipment, and developer contributions.
- During 2014, the City saw an increase in tax revenues of \$1.2 million and an increase in private contributions of \$1.5 million. The increase in private contributions is related to the construction of the City's community and aquatic center. Although the community and aquatic center will be owned by the city, day-to-day operations will be handled by the YMCA. As part of their partnership with the city, the YMCA is contributing \$5.0 million toward construction expenses.

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 2014, 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, 2014 total \$498.8 million, an increase of \$14.8 million over 2013. Net position of the City as of December 31, 2014 are summarized and analyzed below.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
	(in thousands)					
Current and other assets	\$ 79,339	\$ 74,423	\$ 4,615	\$ 4,343	\$ 83,954	\$ 78,766
Capital assets, net of accumulated depreciation	387,286	379,334	36,736	34,904	424,022	414,238
Total assets	466,625	453,757	41,351	39,246	507,976	493,004
Long-term liabilities	4,295	4,815	322	402	4,617	5,217
Other liabilities	4,316	3,002	177	685	4,493	3,686
Total liabilities	8,611	7,817	498	1,087	9,110	8,903
Deferred inflows	22	95	-	-	22	95
Total deferred inflows	22	95	-	-	22	95
Net position						
Net investment in capital assets	386,000	375,067	36,736	34,904	422,736	409,971
Restricted	5,397	3,565	-	-	5,397	3,565
Unrestricted	66,593	67,213	4,117	3,256	70,711	70,469
Total net position	\$ 457,991	\$ 445,845	\$ 40,853	\$ 38,160	\$ 498,844	\$ 484,005

Governmental Activities: Net position from governmental activities increased by \$12.1 million in 2014, for a total of \$458.0 million. Of total governmental activities net position, \$5.4 million is restricted for capital projects. Unrestricted net position of \$66.6 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, \$11.6 million was in investments. The increase was due to a focused effort by management to increase investment returns, and is largely responsible for the \$6.8 million decrease in cash and cash equivalents.
- Developer and private contributions of land and infrastructure totaled \$4.2 million and transportation and parks improvements totaled \$2.8 million. Several large construction projects are in progress, adding an additional \$8.6 million in assets. This increase was partially offset by depreciation of current assets, leading to an overall increase in capital asset values of \$8.0 million.
- Total liabilities and deferred inflows increased by \$722,000, primarily consisting of a rise in the accounts payable balance in the Parks Capital Fund pertaining to a major construction project. The increase is partially offset by a reduction in long-term debt and deferred inflows of \$593,000.

Business-type Activities: Business-type activities of the City's surface water fund increased the City's net position by \$2.7 million in 2014. Of total net position, \$4.1 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 \$2.4 million, offset by current depreciation expense for a net increase of \$1.8 million.
- Total liabilities decreased by \$588,000. This decrease is related to a reduction of the accounts payable balance at year-end of \$508,000, chiefly due to the 2013 balance being overinflated from the late receipt of several large invoices. A reduction in long-term debt of \$80,000 accounts for the remainder of the change.

Changes in position

As illustrated in the following table, the City's net position increased approximately \$14.8 million in 2014. The increase was split between the governmental activities (\$12.1 million) and the business-type activities (\$2.7 million).

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

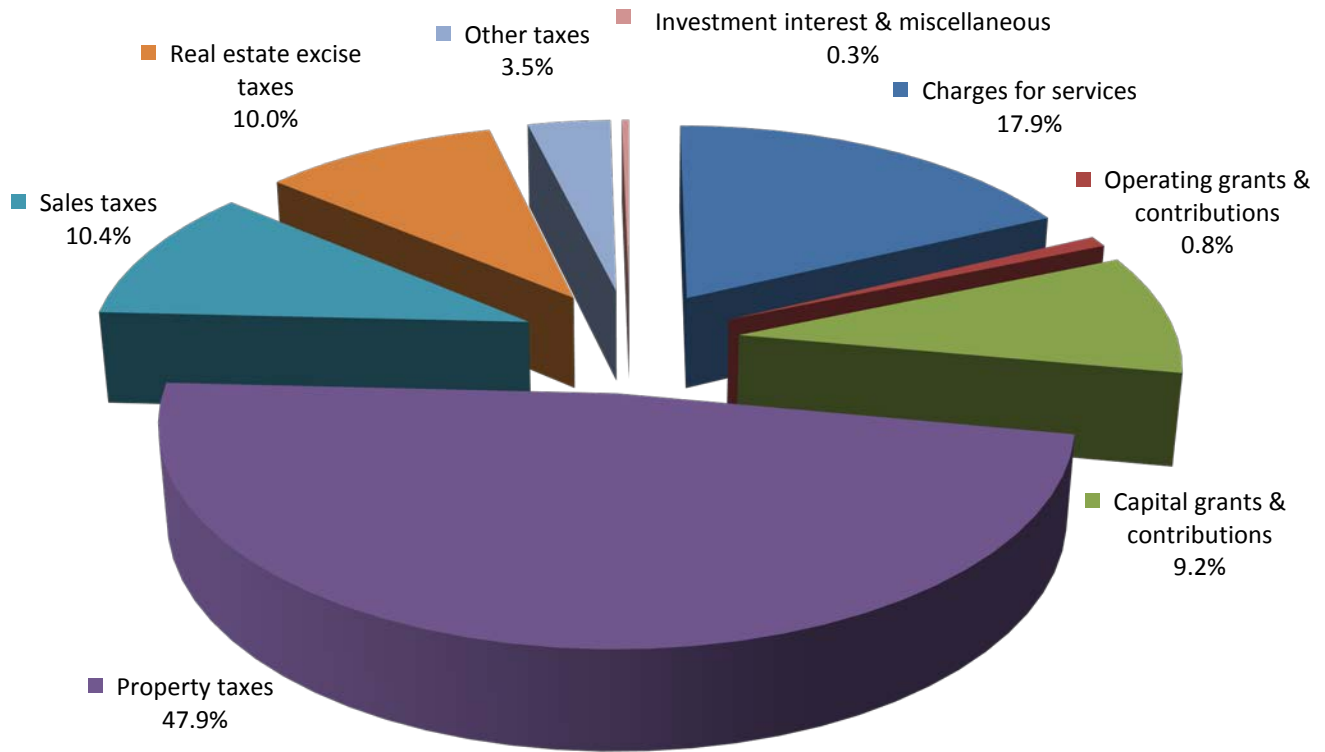
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	(in thousands)					
Revenues:						
Program revenues:						
Charges for services	\$ 8,379	\$ 9,524	\$ 3,604	\$ 3,104	11,983	\$ 12,628
Operating grants & contributions	363	613	50	-	413	613
Capital grants & contributions	4,324	5,286	2,964	4,356	7,288	9,642
General revenues:						
Property taxes	22,424	21,851	-	-	22,424	21,851
Sales taxes	4,863	4,368	-	-	4,863	4,368
Real estate excise taxes	4,686	4,640	-	-	4,686	4,640
Other taxes	1,650	1,574	-	-	1,650	1,574
Investment interest	144	114	8	10	151	125
Miscellaneous	2,649	483	-	-	2,649	483
Total revenues	<u>49,481</u>	<u>48,454</u>	<u>6,625</u>	<u>7,470</u>	<u>56,107</u>	<u>55,924</u>

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	(in thousands)					
Expenses:						
General government	5,959	5,672	-	-	5,959	5,672
Security	11,603	11,210	-	-	11,603	11,210
Physical environment	744	769	-	-	744	769
Economic environment	3,064	2,947	-	-	3,064	2,947
Transportation	10,500	9,078	-	-	10,500	9,078
Mental/physical health	8	9	-	-	8	9
Culture and recreation	5,438	5,330	-	-	5,438	5,330
Interest on long-term debt	20	23	-	-	20	23
Stormwater	-	-	3,932	3,365	3,932	3,365
Total expenses	<u>37,336</u>	<u>35,038</u>	<u>3,932</u>	<u>3,365</u>	<u>41,268</u>	<u>38,403</u>
Increase in net position before transfers and special items	<u>12,146</u>	<u>13,416</u>	<u>2,693</u>	<u>4,106</u>	<u>14,839</u>	<u>17,521</u>
Increase in net position	12,146	13,416	2,693	4,106	14,839	17,521
Net position - beginning	445,845	432,430	38,160	34,054	484,005	466,484
Net position - ending	<u>\$ 457,991</u>	<u>\$ 445,845</u>	<u>\$ 40,853</u>	<u>\$ 38,160</u>	<u>\$ 498,844</u>	<u>\$ 484,005</u>

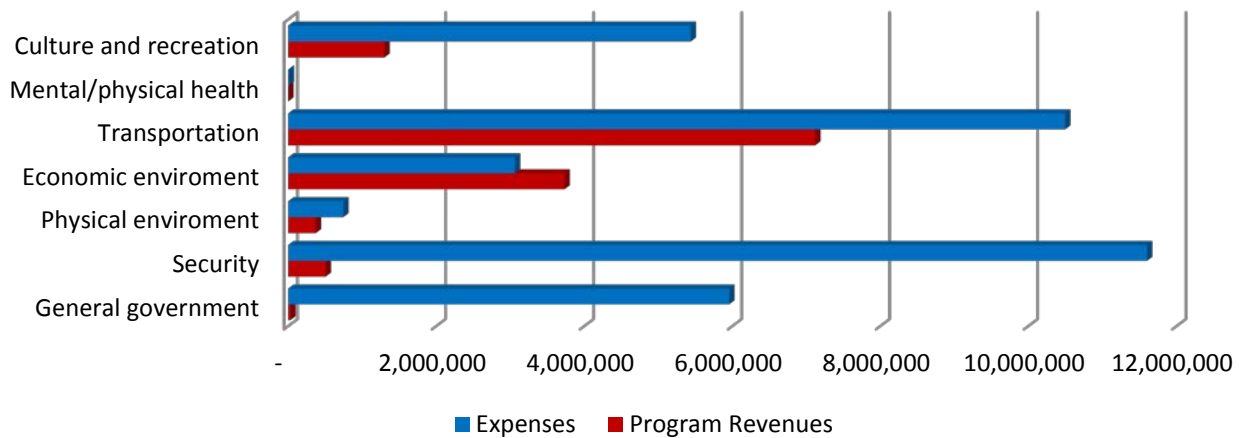
Governmental activities increased the City's net position by \$12.1 million in 2014, which accounts for 81.9% of the total increase in net position of the City. Most of the increase in net position can be attributed to capital assets. Total revenues increased by approximately 2.1%, while total expenses were about 6.6% higher than in 2013. Key elements of the changes in governmental activities net position are:

- Charges for services decreased by \$1.1 million, which is attributable to a decrease in transportation impact fees collected by the City. This is due to a drop in development activity from 2013, which was more robust than anticipated.
- Tax revenues increased by \$1.1 million, the largest portions of this increase are attributable to property tax (\$573,000) and local sales tax (\$495,000).
- Total general government expenses increased by \$2.3 million, the largest component of the increase was in road overlay program activity of \$998,000. The remaining variances were in salaries and related benefits (\$435,000) and an increase in the City's fire services contract (\$300,000).

Revenue by Source - Governmental Activities



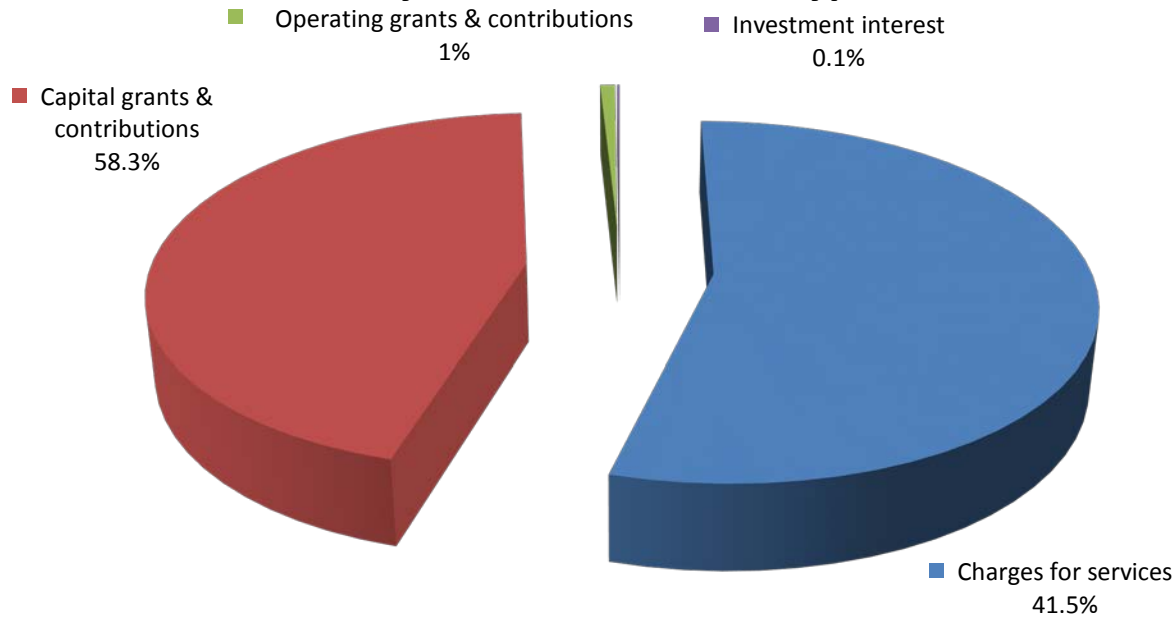
Expenses and Program Revenues - Governmental Activities



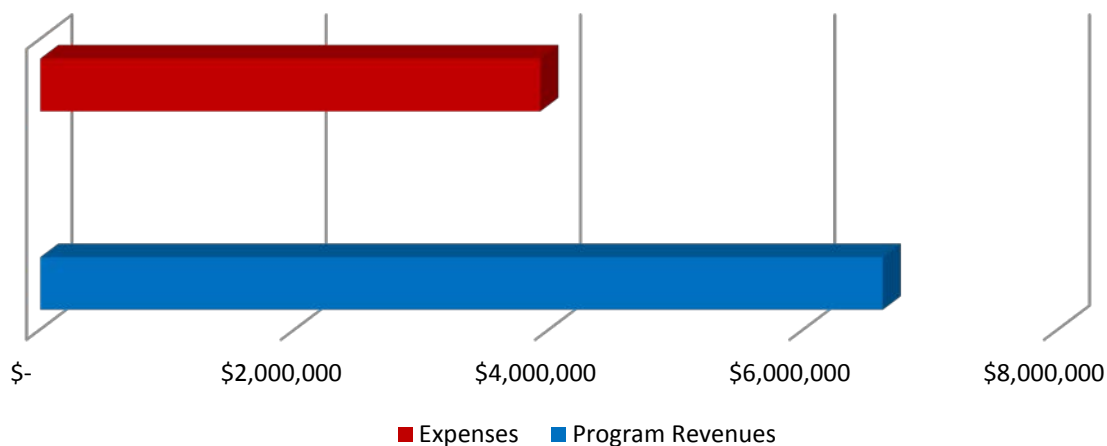
Business-type activities increased the City's net position by \$2.7 million, accounting for 18.2% of the total growth in the City's net position. Total revenues decreased by approximately 11.3%, while total expenses were about 16.9% higher than in 2013. Key elements of the changes in business-type activities net position are:

- Revenues declined by \$845,000 over 2013, of which \$1.4 million is due to a decrease in stormwater facilities contributed by developers, partially offset by an increase in charges for stormwater services of \$500,000.
- Expenses increased by \$568,000, in large part due to increased maintenance requirements of a federal stormwater permit, including stormwater pond maintenance, stream monitoring, and basemapping.

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 \$72.3 million. This was an increase of \$4.0 million or 5.9% over the ending fund balances of the prior year. Of the ending fund balances, \$3.3 million has been set aside for a strategic reserve, and the remaining \$69.0 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 2014 the fund balance of the General fund was \$28.3 million.

The general fund balance increased \$3.0 million from the prior year. Revenues increased 3.9% while expenditures increased 7.4% and transfers-out remained at the same level as 2013. Revenues exceeded expenditures in the general fund by \$5.4 million in 2014. Net transfers out of the general fund to capital projects funds totaled \$3.3 million.

General fund revenues were \$1.3 million higher in 2014 than in 2013. Property taxes, which increased approximately \$506,000, are the primary source of revenue in the General Fund, at 64.5% of the fund's 2014 revenues. An increase in local sales and use tax of \$407,000 in addition to the increase in property tax collections accounts for a majority of the growth in tax revenues.

General Fund expenditures were up \$2.0 million in 2014. Transportation expenditures increased by \$1.3 million in 2014, a majority of which was related to an increase in the road overlay program, after an unusually low year of activity in 2013. Expenditures for security increased by \$367,000, this was largely due to an increase in the fire service contract. The remaining functions had a combined increase in expenditures of \$307,000.

General Fund expenditures are closely monitored with all departments working together to limit their expenditures with minimal impact on currently provided public services. The City's total budgeted positions increased by 3.0 full-time equivalents, to a total of 75.0. City staff received a cost of living increase of 2.33% in 2014.

Ending fund balance in the General Capital Improvement Fund increased \$17,000. There are currently no active or planned construction projects in this fund.

Ending fund balance in the Park Capital Improvement Fund decreased \$2.1 million. Expenditures exceeded revenues by \$5.3 million and were supplemented with net transfers in of \$2.9 million. Total park capital expenditures for the year were \$10.1 million which included \$8.3 million for design and construction of a new community and aquatics center and \$1.3 on construction of a new waterfront park. The remaining \$500,000 paid for several smaller restoration and renovation projects.

The Transportation Capital Improvement Fund ending fund balance was \$21.3 million, an increase of \$3.2 million from 2013. Expenditures of \$1.4 million were spent largely on non-motorized improvements to 244th Avenue (\$482,000) and several smaller programs, including intersection improvements, and the sidewalk program. Traffic impact fees of \$2.8 million and real estate excise taxes of \$2.3 million made up a majority of the \$5.2 million in fund revenues for 2014.

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 2013 and the 2013-2014 biennial general fund budget at December 31, 2014 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 2013 allowed for an increase to the General Fund budget beginning balance for 2014.

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, 2014 was \$424.0 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 2014 included the following:

- Developer and private contributions of \$6.6 million in land, streets, and surface water facilities.
- Construction in progress added \$10.6 million to the 2014 capital assets balance. \$8.3 million of which is due the on-going construction of a new community and aquatics center.
- \$2.4 million was invested in transportation infrastructure projects, with a majority being spent on non-motorized improvements to 244th Avenue NE.
- The City expended \$586,000 on improvements to existing general government and stormwater facilities, \$201,000 on updated audio visual equipment, and purchased \$190,000 in new vehicles and equipment.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
			(in thousands)			
Land	\$ 256,609	\$ 254,052	\$ 11,368	\$ 10,256	\$ 267,977	\$ 264,308
Buildings/building improvements	14,138	14,876	1,490	1,554	15,629	16,429
Improvements other than buildings	16,833	18,541	23,807	22,793	40,640	41,334
Machinery & equipment	2,179	2,169	13	17	2,193	2,185
Construction in progress	11,467	2,882	55	284	11,522	3,166
Art	91	91	-	-	91	91
Software	141	165	2	-	143	165
Infrastructure	85,827	86,558	-	-	85,827	86,558
Total	<u>\$ 387,286</u>	<u>\$ 379,334</u>	<u>\$ 36,736</u>	<u>\$ 34,904</u>	<u>\$ 424,022</u>	<u>\$ 414,238</u>

Additional information on the City of Sammamish's capital assets can be found in Note 7 of this report.

Long-term debt

At the end of the current fiscal year, the City had debt outstanding of \$4.0 million. Of this amount, \$3.7 million is a State of Washington Public Works Trust Fund Loan and \$252,000 is revenue debt, which was inherited from King County at incorporation in 1999.

General obligation and revenue debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
			(in thousands)			
General obligation debt	\$ 3,733	\$ 4,267	\$ -	\$ -	\$ 3,733	\$ 4,267
Revenue debt	-	-	252	331	252	331
Total	<u>\$ 3,733</u>	<u>\$ 4,267</u>	<u>\$ 252</u>	<u>\$ 331</u>	<u>\$ 3,985</u>	<u>\$ 4,598</u>

The City was not rated by Standard & Poors in 2014 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 2014 was \$9,290,367,218 and remaining debt capacity is as follows:

General	\$ 228,525,847
Open Space/Park Facilities	232,259,180
Total	<u>\$ 460,785,028</u>

The total amount of unlimited tax and limited tax general obligation debt the City may issue is \$464,518,361. Additional information on the City of Sammamish's long-term debt can be found in Note 12 of this report.

Economic Factors and Next Biennium's Budget

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 2014, 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 2015-2016 budget period are expected to rise by one-third compared to 2013-2014 levels, and parks impact fees are expected to grow nearly 50%. Real estate excise tax revenues are anticipated to increase by a modest 15%.

Sammamish has a history of excellent financial management and prudent fiscal policies. The 2015-2016 biennial budget maintains the City's strong financial position, with a projected ending fund balance of nearly \$34.5 million at the end of 2016. 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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 37,581,948	\$ 2,288,697	\$ 39,870,645
Cash with outside agencies	291,728	-	291,728
Investments	37,684,439	2,253,605	39,938,044
Receivables:			
Taxes	1,432,792	-	1,432,792
Accounts	646,263	171,249	817,512
Interest	22,319	1,335	23,654
Contracts	715,523	-	715,523
Due from other governments	125,075	50,000	175,075
Internal balances	149,541	(149,541)	-
Restricted assets:			
Deposit cash	689,273	-	689,273
Capital assets:			
Land, artwork, construction in progress	268,167,036	11,422,916	279,589,952
Depreciable capital assets, net	119,118,806	25,312,976	144,431,782
Total assets	<u>466,624,743</u>	<u>41,351,237</u>	<u>507,975,980</u>
LIABILITIES			
Accounts/claims payable	3,418,797	176,678	3,595,475
Employee wages payable	197,234	-	197,234
Accrued interest payable	9,333	-	9,333
Due to other governments	1,305	-	1,305
Customer deposits	689,273	-	689,273
Noncurrent liabilities:			
Due within one year	589,535	90,328	679,863
Due in more than one year	3,705,808	231,237	3,937,045
Total liabilities	<u>8,611,285</u>	<u>498,243</u>	<u>9,109,528</u>
DEFERRED INFLOWS			
Unearned revenues	22,315	-	22,315
Total deferred inflows	<u>22,315</u>	<u>-</u>	<u>22,315</u>
NET POSITION			
Net investment in capital assets	386,000,481	36,735,892	422,736,373
Restricted for:			
Capital projects	5,397,186	-	5,397,186
Unrestricted	66,593,476	4,117,102	70,710,578
Total net position	<u>\$ 457,991,143</u>	<u>\$ 40,852,994</u>	<u>\$ 498,844,137</u>

See accompanying notes to the financial statements

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

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	\$ 5,958,904	\$ 30,241	\$ -	\$ -	\$ (5,928,663)	\$ -	\$ (5,928,663)
Security	11,603,010	314,552	192,338	-	(11,096,120)	-	(11,096,120)
Physical environment	744,288	261,652	111,458	-	(371,178)	-	(371,178)
Economic environment	3,064,000	3,733,623	-	-	669,623	-	669,623
Transportation	10,499,661	2,859,263	38,703	4,223,952	(3,377,743)	-	(3,377,743)
Mental/physical health	7,577	-	-	-	(7,577)	-	(7,577)
Culture and recreation	5,438,387	1,152,418	47,652	100,000	(4,138,317)	-	(4,138,317)
Interest on long-term debt	20,000	-	-	-	(20,000)	-	(20,000)
Total governmental activities	37,335,827	8,351,749	390,151	4,323,952	(24,269,975)	-	(24,269,975)
Business-type activities:							
Surface water management	3,932,295	3,604,009	50,000	2,963,631	-	2,685,345	2,685,345
Total business-type activities	3,932,295	3,604,009	50,000	2,963,631	-	2,685,345	2,685,345
Total government	\$ 41,268,122	\$ 11,955,758	\$ 440,151	\$ 7,287,583	(24,269,975)	2,685,345	(21,584,630)
General revenues							
Taxes							
Property					22,423,974	-	22,423,974
Sales					4,863,206	-	4,863,206
Real estate excise					4,686,138	-	4,686,138
Other					1,650,189	-	1,650,189
Unrestricted investment interest					143,536	7,515	151,051
Miscellaneous					2,648,593	224	2,648,817
Total general revenues and transfers					36,415,636	7,739	36,423,375
Change in net position					12,145,661	2,693,084	14,838,745
Net position - beginning					445,845,482	38,159,910	484,005,392
Net position - ending					\$ 457,991,143	\$ 40,852,994	\$ 498,844,137

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	Major Funds	
	General	General CIP
ASSETS		
Cash and cash equivalents	\$ 14,283,527	\$ 4,430,211
Cash with outside agencies	291,728	-
Investments	14,743,234	4,362,286
Receivables:		
Taxes	1,085,196	-
Accounts	219,272	-
Interest	8,732	2,583
Contracts	715,523	-
Due from other governments	119,192	-
Restricted assets:		
Deposit cash	689,273	-
Total assets	<u>\$ 32,155,677</u>	<u>\$ 8,795,080</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts/claims payable	\$ 1,893,776	\$ -
Employee wages payable	197,234	-
Due to other governments	1,305	-
Payable from restricted assets:		
Customer deposits	689,273	-
Total liabilities	<u>2,781,588</u>	<u>-</u>
Deferred inflows:		
Deferred revenues	<u>1,049,580</u>	<u>1,332</u>
Total deferred inflows	<u>1,049,580</u>	<u>1,332</u>
Fund balances:		
Nonspendable	715,523	-
Restricted	83,750	203,372
Committed	-	-
Assigned	1,650,211	8,590,376
Unassigned	<u>25,875,025</u>	<u>-</u>
Total fund balances	<u>28,324,509</u>	<u>8,793,748</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 32,155,677</u>	<u>\$ 8,795,080</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
\$ 7,470,837	\$ 10,711,905	\$ -	\$ 36,896,480
-	-	-	291,728
7,356,292	10,547,668	-	37,009,480
173,798	173,798	-	1,432,792
267,503	159,488	-	646,263
4,357	6,247	-	21,919
-	-	-	715,523
5,883	-	-	125,075
-	-	-	689,273
<u>\$ 15,278,670</u>	<u>\$ 21,599,106</u>	<u>\$ -</u>	<u>\$ 77,828,533</u>
\$ 1,294,378	\$ 174,012	\$ -	\$ 3,362,166
-	-	-	197,234
-	-	-	1,305
-	-	-	689,273
<u>1,294,378</u>	<u>174,012</u>	<u>-</u>	<u>4,249,978</u>
<u>33,517</u>	<u>162,710</u>	<u>-</u>	<u>1,247,139</u>
<u>33,517</u>	<u>162,710</u>	<u>-</u>	<u>1,247,139</u>
-	-	-	715,523
144,475	4,965,589	-	5,397,186
-	-	-	-
13,806,300	16,296,795	-	40,343,682
-	-	-	25,875,025
<u>13,950,775</u>	<u>21,262,384</u>	<u>-</u>	<u>72,331,416</u>
<u>\$ 15,278,670</u>	<u>\$ 21,599,106</u>	<u>\$ -</u>	<u>\$ 77,828,533</u>

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2014

Total governmental fund balances	\$ 72,331,416
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.	386,272,965
These assets consist of:	
Land	256,609,304
Construction in progress	11,466,690
Art	91,041
Buildings	20,269,058
Improvements other than buildings	33,107,534
Machinery and equipment	4,132,944
Depreciable infrastructure	152,575,201
Software	395,859
Less: accumulated depreciation	(92,374,666)
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.	(4,292,118)
These long-term liabilities consist of:	
Other long-term debt payable	(3,733,333)
Accrued debt interest payable	(9,333)
Compensated absences	(549,452)
Unearned revenues are not available to pay for current period expenditures.	1,224,823
Due from Business type activities - charges by internal service funds were less than actual expenses.	149,541
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.	<u>2,304,516</u>
Net position of governmental activities	<u>\$ 457,991,143</u>

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	Major Funds	
	General Fund	General CIP Fund
REVENUES		
Taxes	\$ 27,123,770	\$ -
Licenses and Permits	2,108,859	-
Intergovernmental	1,825,399	-
Charges for Services	2,609,869	-
Fines and Forfeitures	189,447	-
Investment Income	54,953	16,971
Contributions	137,092	-
Miscellaneous	585,261	-
Total Revenues	<u>34,634,650</u>	<u>16,971</u>
EXPENDITURES		
Current		
General Government	5,162,819	-
Security of Persons and Property	11,277,769	-
Physical Environment	749,942	-
Transportation	5,786,602	-
Economic Environment	3,076,043	-
Mental/Physical Health	7,577	-
Culture and Recreation	3,130,833	-
Capital Outlay	11,067	-
Debt Service		
Principal	-	-
Interest and Debt Issue Costs	-	-
Total Expenditures	<u>29,202,652</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	5,431,998	16,971
OTHER FINANCING SOURCES (USES)		
Insurance Recovery	19,776	-
Disposition of Capital Assets	-	-
Transfers In	770,000	-
Transfers Out	(3,270,000)	-
Total other financing sources and uses	<u>(2,480,224)</u>	<u>-</u>
Net change in fund balances	2,951,774	16,971
Fund balances - beginning	25,372,735	8,776,777
Fund balances - ending	<u>\$ 28,324,509</u>	<u>\$ 8,793,748</u>

See accompanying notes to the financial statements.

Major Funds		Non-Major Fund	Total Governmental Funds
Parks CIP Fund	Transportation CIP Fund	G.O. Debt Service Fund	
\$ 2,487,546	\$ 2,343,069	\$ -	\$ 31,954,385
-	-	-	2,108,859
100,000	-	-	1,925,399
699,899	2,796,303	-	6,106,071
-	-	-	189,447
33,075	35,760	-	140,759
1,450,395	-	-	1,587,487
-	589	-	585,850
<u>4,770,915</u>	<u>5,175,721</u>	<u>-</u>	<u>44,598,257</u>
-	-	-	5,162,819
-	-	-	11,277,769
-	-	-	749,942
-	-	-	5,786,602
-	-	-	3,076,043
-	-	-	7,577
42,787	-	-	3,173,620
10,008,999	1,418,736	-	11,438,802
-	-	533,333	533,333
-	-	21,334	21,334
<u>10,051,786</u>	<u>1,418,736</u>	<u>554,667</u>	<u>41,227,841</u>
(5,280,871)	3,756,985	(554,667)	3,370,416
1,745	-	-	21,521
655,000	-	-	655,000
2,885,000	385,000	554,667	4,594,667
(385,000)	(939,667)	-	(4,594,667)
<u>3,156,745</u>	<u>(554,667)</u>	<u>554,667</u>	<u>676,521</u>
(2,124,126)	3,202,318	-	4,046,937
16,074,901	18,060,066	-	68,284,479
<u>\$ 13,950,775</u>	<u>\$ 21,262,384</u>	<u>\$ -</u>	<u>\$ 72,331,416</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, 2014

Net change in fund balances - total governmental funds	\$ 4,046,937
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.	3,589,070
This amount is comprised of:	
Capital outlays	11,438,802
Current year depreciation	(7,849,732)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,124,729
This amount is comprised of:	
Deferred inflows of tax revenues	18,933
Deferred inflows of grants and contracts revenue	45,430
Developer and private contributions	4,190,683
Interest Income	(4,227)
Cost of Impairment	(126,090)
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.	(13,209)
This amount is comprised of:	
Accrued interest expense	1,333
Accrued compensated absences expense	(14,542)
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.	(135,199)
Change in net position of governmental activities.	<u>\$ 12,145,661</u>

See accompanying notes to the financial statements.

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2014

	Business-type Activities Enterprise Fund	Governmental Activities
	Surface Water Fund	Internal Service Funds
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,288,697	\$ 685,468
Investments	2,253,605	674,959
Receivables		
Accounts	171,249	-
Due from other governments	50,000	-
Interest	1,335	400
Total current assets	<u>4,764,886</u>	<u>1,360,827</u>
Capital assets:		
Land	11,368,005	-
Buildings	1,744,111	-
Improvements other than buildings	33,540,453	-
Equipment	23,668	2,725,490
Construction in progress	54,911	-
Software	13,740	105,779
Less accumulated depreciation and amortization	<u>(10,008,996)</u>	<u>(1,818,393)</u>
Total capital assets (net of depreciation and amortization)	<u>36,735,892</u>	<u>1,012,876</u>
Total assets	<u>\$ 41,500,778</u>	<u>\$ 2,373,703</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 176,678	\$ 56,630
Compensated absences	6,963	1,256
Contract payable	83,365	-
Total current liabilities	<u>267,006</u>	<u>57,886</u>
Noncurrent Liabilities:		
Compensated absences	62,669	11,301
Contracts payable	168,568	-
Total noncurrent liabilities	<u>231,237</u>	<u>11,301</u>
Total liabilities	<u>498,243</u>	<u>69,187</u>
NET POSITION		
Investment in capital assets	36,735,892	1,012,875
Unrestricted	4,266,643	1,291,641
Total net position	<u>\$ 41,002,535</u>	<u>\$ 2,304,516</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.	<u>(149,541)</u>	
Net position of business-type activities	<u>\$ 40,852,994</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, 2014

	Business-type Activities Enterprise Fund	Governmental Activities
	Surface Water Fund	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 3,604,009	\$ 832,519
Charges for replacement	-	151,275
Charges for insurance	-	208,000
Total operating revenues	3,604,009	1,191,794
OPERATING EXPENSES:		
Administrative and general	1,316,987	1,041,121
Supplies	177,220	77,887
Maintenance and operations	1,389,564	95,946
Taxes	60,443	-
Depreciation	955,387	210,877
Total operating expenses	3,899,601	1,425,831
Operating loss	(295,592)	(234,037)
NON-OPERATING REVENUES (EXPENSES)		
Investment income	7,515	2,507
Grant Income	50,000	-
Gain on sale of capital assets	-	79,475
Interest expense	(15,839)	-
Miscellaneous	224	-
Total non-operating revenues(expenses)	41,900	81,982
Income (loss) before contributions	(253,692)	(152,055)
Capital contributions	2,963,631	-
Change in net position	2,709,939	(152,055)
Total net position - beginning	38,292,596	2,456,571
Total net position - ending	41,002,535	\$ 2,304,516
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.	(16,855)	
Change in net position of business-type activities	\$ 2,693,084	

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2014

	Business-type Activities Enterprise Fund	Governmental Activities
	Surface Water Fund	Internal Services Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,558,825	\$ 1,040,519
Cash Received for Replacement	-	151,275
Cash Payments to Suppliers	(530,537)	(228,202)
Cash Payments to Employees	(944,836)	(252,837)
Cash Payments to Other Governments	(336,193)	(110,400)
Cash Payments for Other Operating Expenses	(1,408,736)	(612,883)
Net Cash Provided (Used) By Operating Activities	<u>338,523</u>	<u>(12,528)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal Paid on Contracts	(79,144)	-
Interest Paid on Contracts	(15,839)	-
Net Cash Provided By Noncapital Financing Activities	<u>(94,983)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(594,894)	(340,098)
Proceeds from Sale of Capital Assets	-	77,475
Proceeds from Sale of Other Assets	224	-
Capital Contributions	538,089	-
Net Cash Used for Capital and Related Financing Activities	<u>(56,581)</u>	<u>(262,623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases	(2,253,605)	(674,959)
Investment Sales/Maturities	1,592,400	598,077
Interest on Investments	7,584	2,635
Net Cash Provided by Investing Activities	<u>(653,621)</u>	<u>(74,247)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(466,662)	(349,398)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,755,359	1,034,866
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,288,697</u>	<u>\$ 685,468</u>
 Cash at the End of the Year Consists of:		
Operating Fund Cash	2,288,697	685,468
Total Cash at End of Year	<u>\$ 2,288,697</u>	<u>\$ 685,468</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)	\$ (295,592)	\$ (234,037)
Adjustments to Reconcile Operating		
Income to Net Cash Provided by Operating Activities:		
Depreciation	955,387	210,877
Decrease (Increase) in Accounts Receivable	(46,374)	-
Increase (Decrease) in Accounts Payable	(273,699)	11,768
Increase (Decrease) in Compensated Absences Payable	(1,199)	(1,136)
Net Cash Provided (Used) by Operating Activities	\$ <u>338,523</u>	\$ <u>(12,528)</u>
Noncash Investing, Capital and Financing Activities:		
Fair value of investments increased by	\$ (2,157)	\$ (574)
Contributed/Transferred Capital	2,426,735	-
Net Noncash Activities	\$ <u>2,424,578</u>	\$ <u>(574)</u>

See accompanying notes to the financial statements.

**CITY OF SAMMAMISH
NOTES TO THE
FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2014**

**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 13 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 2014, 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:
BUDGET TO GAAP RECONCILIATION**

	<u>General Fund</u>
REVENUES:	
Budget and Actual Statement 2013-2014 Biennium	\$ 67,962,952
Less: 2013 Revenues	<u>33,328,302</u>
Statement of Revenues and Expenditures	<u><u>\$ 34,634,650</u></u>
EXPENDITURES:	
Budget and Actual Statement 2013-2014 Biennium	\$ 56,387,617
Less: 2013 Expenditures	<u>27,184,965</u>
Statement of Revenues and Expenditures	<u><u>\$ 29,202,652</u></u>
OTHER FINANCING SOURCES (USES):	
Budget and Actual Statement 2013-2014 Biennium	\$ (4,949,878)
Less: 2013 Other Financing Sources (Uses)	<u>(2,469,654)</u>
Statement of Revenues and Expenditures	<u><u>\$ (2,480,224)</u></u>

**NOTE 4:
DEPOSITS AND INVESTMENTS**

Deposits

As of December 31, 2014 the carrying amount of the City's cash demand deposits with the City's Official Depository, Bank of America was \$5,987,971 and the bank balance was \$6,024,392. The outstanding checks totaled \$37,304. Petty cash funds totaled \$500. \$291,728 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, 2014, the City had the following investments and maturities (in years):

Investment Type	Fair Value	Less than 1	1 to 3
Federal Home Loan Bank	\$ 11,980,605	\$ 3,001,104	\$ 8,979,501
Federal Agricultural Mortgage Corporation	3,000,588	-	3,000,588
Federal Home Loan Mortgage Corporation	14,963,469	-	14,963,469
Federal Farm Credit Bank	3,000,057	3,000,057	-
Federal National Mortgage Association	3,001,293	3,001,293	-
United States Treasury Certificates	2,992,032	-	2,992,032
Certificates of Deposit	1,000,000	1,000,000	-
Municipal Bonds	-	-	-
Local Government Investment Pool	34,571,447	34,571,447	-
Total	\$ 74,509,491	\$ 44,573,901	\$ 29,935,590

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 12/31/2014 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.

Issuer	Credit Rating	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	AAA	20.0%
Federal Home Loan Bank	AAA	16.0%

NOTE 5: 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 the City may levy property taxes for 2014 up to \$3.10 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 2014 the City levied \$2.41 per \$1,000 of assessed value for general governmental services, and had no voter approved excess levy.

NOTE 6: 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 12/31/2014</u>
District 10	\$ 1,788,803	\$ 1,073,280	\$ 715,523

Annual contract payments receivable to maturity:	<u>Year</u>	<u>Principal</u>
	2015	\$ 89,440
	2016	89,440
	2017	89,440
	2018	89,440
	2019	89,440
	2020-2024	268,320
	Total	<u>\$ 715,523</u>

**NOTE 7:
CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 254,052,349	\$ 2,683,045	\$ (126,090)	\$ 256,609,305
Construction in Progress	2,882,003	10,598,438	(2,013,751)	11,466,690
Art	91,041	-	-	91,041
Total capital assets, not being depreciated	257,025,393	13,281,483	(2,139,841)	268,167,036
Capital assets, being depreciated or amortized:				
Buildings & Building Improvements	20,269,058	-	-	20,269,058
Improvements other than Buildings	32,641,696	465,839	-	33,107,535
Machinery & Equipment	6,956,088	453,898	(551,552)	6,858,433
Infrastructure	148,663,588	3,911,626	-	152,575,214
Software	462,233	39,405	-	501,638
Total capital assets, being depreciated or amortized	208,992,663	4,870,768	(551,552)	213,311,878
Less accumulated depreciation and amortization for:				
Buildings & Building Improvements	5,393,451	737,146	-	6,130,597
Improvements other than Buildings	14,100,439	2,173,818	-	16,274,257
Machinery & Equipment	4,787,381	443,289	(551,552)	4,679,118
Infrastructure	62,105,951	4,642,039	-	66,747,990
Software	296,793	64,317	-	361,110
Total accumulated depreciation and amortization	86,684,015	8,060,609	(551,552)	94,193,072
Total capital assets, being depreciated or amortized, net	122,308,647	(3,189,842)	-	119,118,806
Governmental Activities Capital Assets, net	<u>\$ 379,334,041</u>	<u>\$ 10,091,642</u>	<u>\$ (2,139,841)</u>	<u>\$ 387,285,841</u>
Business-Type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 10,255,780	\$ 1,112,225	\$ -	\$ 11,368,005
Construction in Progress	284,382	264,412	(493,883)	54,911
Total capital assets, not being depreciated	10,540,161	1,376,637	(493,883)	11,422,916
Capital Assets, being depreciated or amortized:				
Buildings & Building Improvements	1,744,111	-	-	1,744,111
Improvements other than Buildings	31,639,068	1,901,385	-	33,540,453
Machinery & Equipment	23,668	-	-	23,668
Software	10,469	3,270	-	13,740
Total capital assets, being depreciated or amortized	33,417,317	1,904,655	-	35,321,972

Less Accumulated Depreciation or amortization for:				
Buildings & Building Improvements	190,266	63,422	-	253,688
Improvements other than Buildings	8,845,919	887,494	-	9,733,413
Machinery & Equipment	6,953	3,381	-	10,334
Software	10,470	1,090	-	11,561
Total accumulated depreciation and amortization	9,053,609	955,387	-	10,008,996
Total capital assets, being depreciated or amortized, net	24,363,708	949,269	-	25,312,976
Business-Type Activities Capital Assets, net	<u>\$ 34,903,869</u>	<u>\$ 2,325,905</u>	<u>\$ (493,883)</u>	<u>\$ 36,735,892</u>

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

General Government	\$ 553,441
Security	324,343
Physical Environment	-
Transportation, including depreciation of General Government Infrastructure assets	4,717,546
Culture and Recreation	2,254,403
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of those assets	-
	<u>210,877</u>
Total depreciation and amortization expense - Governmental Activities	<u>\$ 8,060,609</u>
Business-Type Activities:	
Surface Water Management	<u>\$ 955,387</u>
Total depreciation and amortization expense - Business-Type Activities	<u>\$ 955,387</u>

**NOTE 8:
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.

Current annual lease payments to the City are \$107,880, and are 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	\$ 48,895	\$ 220,030
Library	1,682,086	305,835	1,376,251
KCSO Office Space	580,355	42,208	538,147
Total Leased Property	<u>\$ 2,531,366</u>	<u>\$ 396,938</u>	<u>\$ 2,134,428</u>
2014 Depreciation Expense	\$ 92,050		

NOTE 9: 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 (ERF) 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 2,241 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2014:

Retirees and beneficiaries receiving benefits – 85,328
Terminated plan members entitled to but not yet receiving benefits – 31,047
Active plan members vested – 107,073
Active plan members nonvested – 43,633
Total – 267,081

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, 2014 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>
2014	\$ 0	\$ 477,813	\$ 146,138
2013	\$ 0	\$ 401,432	\$ 125,842
2012	\$ 0	\$ 222,788	\$ 94,608

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 2014 were \$393,065. City contributions were \$394,207. The Medicare portion of social security contributed by employees was \$104,062.

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 10: CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2014. The projects include widening and construction of existing streets, sidewalks, and bridges; and building improvements.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Building Construction	\$ 7,277,750	\$ 20,812,563
Street and Bridge Construction	1,042,186	667,504
Total	<u>\$ 8,319,936</u>	<u>\$ 21,480,067</u>

**NOTE 11:
INTERFUND TRANSFERS**

Fund	Transfers In	Transfers Out
General Fund	770,000	3,270,000
G.O. Debt Service Fund	554,667	-
General CIP Fund	-	-
Parks CIP Fund	2,885,000	385,000
Transportation CIP Fund	385,000	939,667
Total Transfers	<u>\$ 4,594,667</u>	<u>\$ 4,594,667</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 12:
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.

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2014
2001 PWTFL	05/11/01	05/18/21	0.5%	\$ 10,000,000	\$ 6,266,667	\$ 3,733,333
Total Public Works Trust Fund Loans				<u>\$ 10,000,000</u>	<u>\$ 6,266,667</u>	<u>\$ 3,733,333</u>

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

Governmental Activities

Year	Principal	Interest
2015	\$ 533,333	\$ 16,000
2016	533,333	13,333
2017	533,333	10,667
2018	533,333	8,000
2019	533,333	5,333
2020-2021	1,066,667	2,667
	<u>\$ 3,733,333</u>	<u>\$ 56,000</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.

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2014
1996 LTGO Bond	02/10/96	01/01/16	5.0% - 5.25%	\$ 733,552	\$ 609,751	\$ 123,801
1999 LTGO Bond	05/01/99	12/01/19	4.0% - 5.25%	368,338	240,206	128,132
Total LTGO Bonds				<u>\$ 1,101,890</u>	<u>\$ 849,957</u>	<u>\$ 251,933</u>

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

Business Type Activities

Year	Principal	Interest
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>\$ 251,933</u>	<u>\$ 27,402</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
PWTFL	4,266,667	-	(533,333)	3,733,333	533,333
Compensated absences	548,602	659,536	(646,128)	562,010	56,202
Total Governmental Activities	<u>\$ 4,815,269</u>	<u>\$ 659,536</u>	<u>\$ (1,179,461)</u>	<u>\$ 4,295,343</u>	<u>\$ 589,535</u>
Business-Type Activities:					
Surface Water Revenue Bonds	\$ 331,077	\$ -	\$ (79,144)	\$ 251,933	\$ 83,365
Compensated absences	70,832	70,592	(71,792)	69,632	6,963
Total Business-Type Activities	<u>\$ 401,909</u>	<u>\$ 70,592</u>	<u>\$ (150,936)</u>	<u>\$ 321,565</u>	<u>\$ 90,328</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 \$12,556 of internal service funds compensated absences are included in the above amounts. Compensated absences for governmental activities are liquidated from the general fund.

NOTE 13: 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, 2014 are as follows:

	Major Funds				Nonmajor Fund	
		General	Parks	Transportation	G.O. Debt	
	General	CIP	CIP	CIP	Service	Total
					Fund	
Nonspendable:						
Long-term receivable	\$ 715,523	\$ -	\$ -	\$ -	\$ -	\$ 715,523
Restricted for:						
Law enforcement	-	203,372	-	-	-	203,372
Transportation	83,750	-	-	4,965,589	-	5,049,339
Parks and recreation	-	-	144,475	-	-	144,475
Committed:	-	-	-	-	-	-
Assigned for:						
General Government	-	8,590,376	-	-	-	8,590,376
Transportation	1,650,211	-	-	16,296,795	-	17,947,006
Parks and recreation	-	-	13,806,300	-	-	13,806,300
Unassigned:	25,875,025	-	-	-	-	25,875,025
Total Fund Balances	<u>\$28,324,509</u>	<u>\$8,793,748</u>	<u>\$13,950,775</u>	<u>\$ 21,262,384</u>	<u>\$ -</u>	<u>\$72,331,416</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 \$3,331,334 for 2015 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 14: 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: \$422 in 2012, \$443 in 2013, and \$443 in 2014 for Medicare enrolled retiree-only coverage; \$789 in 2012, \$830 in 2013, and \$830 in 2014 for non-Medicare enrolled retiree-only coverage; \$1,578 in 2012, \$1,667 in 2013, and \$1,667 in 2014 for non-Medicare enrolled retiree and spouse coverage; \$1,218 in 2012, \$1,280 in 2013, and \$1,280 in 2014 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse); and \$855 in 2012, \$899 in 2013, and \$899 in 2014 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 \$1,120,178 in 2012, \$1,268,497 in 2013, and \$1,197,793 in 2014, and the employee's dependent premium contributions were \$31,918 in 2012, \$51,019 in 2013, and \$51,856 in 2014, 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 15: CONTINGENCIES AND LITIGATION

As of December 31, 2014, 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 16: 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 17: 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, 2014 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>
2010	5,618,622
2011	5,661,427
2012	5,855,427
2013	5,959,215
2014	6,308,277

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>
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%
2014	601,989	53,420	8.87%

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 18:
ARBITRAGE STATEMENT

The City of Sammamish had no arbitrage liability at the end of 2014. The Public Works Trust Loan proceeds were spent with in twelve months of receipt.

NOTE 19:
SUBSEQUENT EVENTS

In March 2015, the City purchased real estate consisting of a 22-acre parcel and a 30,807 building with 330 parking stalls for \$6.1 million. The property is expected to be used for higher education purposes, with three local community colleges expressing an early interest in leasing space.

In a special election on April 28, 2015, residents of the Klahanie neighborhood voted, with an 86% majority, in favor of annexation to the City of Sammamish. The effective date of annexation is expected to be January 1, 2016. The annexation will increase the City's population by approximately 11,000 residents, and is expected to generate roughly \$6.5 million in additional revenues, 72% of which are tax revenues.

CITY OF SAMMAMISH

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND For the Biennium Ended December 31, 2014

	Original Budget 2013-2014	Final Budget 2013-2014	Actual 2013-2014	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Taxes	\$ 51,322,300	\$ 51,840,000	\$ 53,246,521	\$ 1,406,521
Licenses and permits	3,225,200	3,701,700	4,145,951	444,251
Intergovernmental	1,234,100	1,398,200	3,729,484	2,331,284
Charges for services	3,555,500	4,164,700	5,164,578	999,878
Fines and forfeitures	236,500	236,500	356,919	120,419
Investment income	105,000	105,000	69,892	(35,108)
Contributions	248,880	248,880	278,065	29,185
Miscellaneous	652,000	652,000	971,542	319,542
Total revenues	<u>60,579,480</u>	<u>62,346,980</u>	<u>67,962,952</u>	<u>5,615,972</u>
EXPENDITURES				
Current				
General government	12,270,926	12,138,126	10,294,260	1,843,866
Security of persons and property	22,855,328	24,652,728	22,188,429	2,464,299
Physical environment	1,233,109	1,300,559	1,397,392	(96,833)
Transportation	-	-	10,229,838	(10,229,838)
Economic development	7,490,790	8,194,890	6,005,753	2,189,137
Mental/physical health	24,000	24,000	16,102	7,898
Cultural and recreation	6,811,934	6,563,734	6,227,888	335,846
Capital outlay	<u>3,015,000</u>	<u>3,015,000</u>	<u>27,955</u>	<u>2,987,045</u>
Total expenditures	<u>53,701,087</u>	<u>55,889,037</u>	<u>56,387,617</u>	<u>(498,580)</u>
Excess (deficiency) of revenues over (under) expenditures	6,878,393	6,457,943	11,575,335	5,117,392
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	-	50,122	50,122
Transfers in	-	-	1,540,000	1,540,000
Transfers out	<u>(15,500,000)</u>	<u>(15,500,000)</u>	<u>(6,540,000)</u>	<u>8,960,000</u>
Total other financing sources and uses	<u>(15,500,000)</u>	<u>(15,500,000)</u>	<u>(4,949,878)</u>	<u>10,550,122</u>
Net change in fund balance	(8,621,607)	(9,042,057)	6,625,457	15,667,514
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>\$ 28,324,509</u>	<u>\$ 19,025,668</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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

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

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

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

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

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

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