



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Maple Valley

For the period January 1, 2019 through December 31, 2019

Published March 18, 2021

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

March 18, 2021

Council
City of Maple Valley
Maple Valley, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

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 Maple Valley January 1, 2019 through December 31, 2019

Council
City of Maple Valley
Maple Valley, 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 Maple Valley, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 11, 2021.

As discussed in Note 16 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown.

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.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated March 11, 2021.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

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Pat McCarthy

State Auditor

Olympia, WA

March 11, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Maple Valley January 1, 2019 through December 31, 2019

Council
City of Maple Valley
Maple Valley, 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 Maple Valley, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 10.

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.

Opinions

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 Maple Valley, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Transportation Development, Park Development and Real Estate Excise Tax Funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 16 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 10 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 March 11, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Pat McCarthy
State Auditor
Olympia, WA

March 11, 2021

FINANCIAL SECTION

City of Maple Valley January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2019

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Transportation Development Fund – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Park Development Fund – 2019

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Real Estate Excise Tax Fund – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2019

Statement of Cash Flows – Proprietary Funds – 2019

Notes to the Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2019

City of Maple Valley Management's Discussion and Analysis December 31, 2019

As management of the City of Maple Valley, we offer readers of this report this narrative overview and analysis of the financial activities of the City of Maple Valley for the fiscal year ended December 31, 2019. In addition to the information provided here, we encourage readers to consider the additional information furnished in the letter of transmittal and the notes to the financial statements.

Financial Highlights

The total assets of the City exceeded its liabilities at December 31, 2019 by \$395.2M. Net investment in capital assets (capital asset cost net of depreciation and related debt accounted for 95.9% or \$378.95M. Of the remaining net position of \$16.2M or 4.1, \$4.4M may be used to meet the government's ongoing obligations to its citizens, creditors and employees without legal restriction.

The City's total net position decreased \$187,421 compared to 2018. Governmental activities increased by \$649,287 while business-type activities decreased by \$836,708.

Net investment in capital assets for governmental activities increased by \$7.8M primarily due to the construction of the Summit Ball Fields. Restricted net position decreased by \$5.7M or 4.1% while unrestricted net position decreased by \$1.4M or 24.5%.

Governmental Fund balances at year-end were \$13.47M, a decrease of \$9M from the prior year. Of this amount, a total of \$4.9M or 36.2% is the unassigned balance which is available to fund ongoing activities and \$299,975 is assigned is an offset of projected decline in permitting revenue. Nonspendable funds include an escrow deposit of \$62,700 and prepaid items of \$65,355. The remaining balance is restricted or committed for capital purposes, drug investigations and public art purposes.

All the unassigned fund balance of \$4.9M mentioned above belong to the City's general fund and the balance represents a decrease of \$2.75M or 56.6% from 2018.

The City's long-term debt decreased \$1,385,389 or 14.4% during the current fiscal year. The total debt includes general obligation debt in the amount of \$7.5M along with contracts and loans, and net pension liability in the amounts of \$1.5M and \$1.37M respectively. On August 22, 2018, Standard and Poor's Rating Services affirmed the AA+ underlying rating on these bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Maple Valley's financial statements. The City of Maple Valley's financial statements include the government-wide financial statements, the fund financial statements, and the 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 readers with a broad overview of the City of Maple Valley's finances in a format similar to that provided for private-sector businesses.

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

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2019**

The **Statement of Activities** is designed to show how the City's net position changed during the most recent fiscal year. The statement distinguishes revenues generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as (but not limited to) uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

Both 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 a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, economic environment, mental and physical health, culture and recreation, public safety, transportation, and utilities and environment. These functions are primarily supported by taxes, charges for services, and grants. The business type activities include the surface water management function and the Lake Wilderness Golf Course; and, are primarily supported through user fees and charges.

The **Statistical Section** provides summary information on net position and changes in net position from 2010 through 2019.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Maple Valley, like other state and local governments, uses fund accounting to ensure and demonstrate compliance over finance-related legal requirements. The fund financial statements provide summary information by fund type. All of the funds of the City of Maple Valley can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for the governmental activities shown on the government-wide financial statements. The focus of governmental fund financial statements is on near-term inflows and outflows of available financial resources, and on the balances of resources available at the end of the fiscal year. Such information is useful in evaluating whether there are more or less financial resources that can be used in the near future to finance City services.

Since the basis of accounting is different between the governmental fund statements and the government-wide financial statements, reconciliations are provided. The reconciliation between the governmental fund Balance Sheets and the government-wide Statement of Net Position is found at the bottom of the governmental funds' Balance Sheet, while the reconciliation between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the government-wide Statement of Activities is found directly following the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances.

A complete reconciliation of the fund financial statements to the government-wide financial statements are required for the following:

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2019**

- To reclassify capital expenditures to assets and to record depreciation of governmental capital assets,
- To reclassify debt issuances and repayments from sources and uses of funds to increases or decreases in liabilities, and
- To record the assets, liabilities, and net revenues of the internal service funds. By including only net revenues, the transactions between the internal service funds and the funds to which they provide services are not double counted.

The City maintains budgetary control over its operating funds through the adoption of an biennial budget. Budgets are adopted at the fund level according to state law. A budgetary comparison statement has been provided for the General Fund and all Special Revenue Funds.

Proprietary Funds

The City has two proprietary funds. The enterprise funds are used by governments to account for their business-type activities and use the same basis of accounting utilized in private industry. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Maple Valley has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens, while internal service funds are used to account for goods and services provided internally to various City departments. The City's enterprise funds include the surface water management function and Lake Wilderness Golf Course.

Internal service funds are an essential accounting tool used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds for its fleet of vehicles, central services, and unemployment trust functions. These internal service functions accumulate costs and allocate them to operating departments. They also charge replacement reserve fees to insure future availability of funds to replace equipment or to fund unemployment claims. As mentioned above, internal service funds in the City of Maple Valley are categorized as governmental activities on the *Statement of Net Position* and the *Statement of Activities*.

Notes to the Financial Statements

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

Required Supplementary Information. Generally Accepted Accounting Principles (GAAP) require that certain unaudited information accompany the basic financial statements. The technical term for this additional information is *required supplementary information (RSI)*. In general, there are five types of RSI for state and local governments:

Management's Discussion and Analysis (MD&A),
Budgetary Comparisons,
Trend Data for Pension Funding,
Claims Development Data for Public Entity Risk Pools, and
Trend Data for Infrastructure Condition.

Because the *MD&A* is designed, in part, to introduce the basic financial statements, it is presented before the basic financial statements. The *budgetary comparisons* for the general and special revenue funds

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2019**

are shown in the fund financial statements. The *budgetary comparisons* for other funds are shown in the combining statements and schedules section of this report.

With respect to *trend data for pension funding*, the City of Maple Valley participates in the Washington State Public Employees Retirement System (PERS) plan and in defined contribution plans sponsored by the International City/County Management Association Retirement Corporation (ICMA-RC). Descriptions of these plans are included in the notes to the financial statements and required schedules are included in the *Required Supplementary Information* section which is located immediately after the notes to the financial statements.

With respect to *claims development data for public entity risk pools*, the City is a member of the Washington Cities Insurance Authority (WCIA). Per GAAP, they, as a public entity risk pool, include in their financial statements trend data on pool revenues as well as actual and estimated claims. A description of the pool is included in the notes to the financial statements.

With respect to *trend data on infrastructure condition*, the City has chosen to record infrastructure assets on the face of the financial statements and therefore *trend data on infrastructure condition* is not required.

Government-Wide Financial Statement Analysis

Statement of Net Position. As noted earlier, net position over time, may serve as a useful indicator of the City's financial position. The City of Maple Valley's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$375,146,834 for the fiscal year ended December 31, 2019. This represents an increase of \$606,877 from the prior fiscal year.

The table that follows is a condensed version of the government-wide *Statement of Net Position*. The table shows the individual components of these amounts by major account group for governmental activities and business-type activities with totals and comparisons to the preceding year. The subsequent narrative explains the account balances and the changes from the prior year.

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2019**

Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 17,748,728	\$ 25,632,590	\$ 4,327,796	\$ 4,728,355	\$ 22,076,524	\$ 30,360,944
Capital Assets, net of accumulated depreciation	368,731,499	360,606,197	16,286,491	16,383,447	385,017,990	376,989,644
Total Assets	386,480,227	386,238,787	20,614,287	21,111,802	407,094,514	407,350,589
Deferred Outflows of Resources						
Pensions	511,893	400,765	25,158	17,793	537,051	418,558
Total Deferred Outflows of Resources	511,893	400,765	25,158	17,793	537,051	418,558
Total Assets and Deferred Outflow of Resources	386,992,120	386,639,552	20,639,445	21,129,595	407,631,565	407,769,146
Liabilities						
Current Liabilities	3,621,709	2,643,722	485,832	153,208	4,107,541	2,796,929
Long-term Liabilities	7,429,236	8,785,066	72,680	70,549	7,501,916	8,855,615
Total Liabilities	11,050,945	11,428,788	558,512	223,756	11,609,457	11,652,544
Deferred Inflows of Resources						
	7,153	-	-	-	7,153	-
Debt Refunding	13,134	27,463	-	-	13,134	27,463
Pensions	774,054	685,754	43,125	31,324	817,179	717,079
Total Deferred Inflows of Resources	794,341	713,217	43,125	31,324	837,466	744,541
Total Liabilities and Deferred Inflow of Resources	11,845,286	12,142,005	601,637	255,081	12,446,923	12,397,085
Net position						
Net Investment in Capital Assets	362,664,441	354,866,326	16,286,490	16,383,447	378,950,931	371,249,773
Restricted	8,130,144	13,867,844	3,751,316	4,491,067	11,881,460	18,358,911
Unrestricted	4,352,249	5,763,377	-	-	4,352,249	5,763,377
Total Net Position	\$ 375,146,834	\$ 374,497,547	\$ 20,037,806	\$ 20,874,514	\$ 395,184,640	\$ 395,372,061

The largest portion of the City's combined net position (\$378.95 million or 95.6%) reflects net investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$11.9 million or 3.0%) represents resources that are subject to external restrictions on how they may be used. For the current year, these funds are restricted for capital projects and the management of surface and storm water. The remaining balance of \$ 4.35 million (1.1%) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Total Current and Other Assets at December 31, 2019 totaled \$22,076,524, a decrease of \$8,284,421 or 27.3% from the prior year amount of \$30,360,945. The majority of this decrease is in the category of total of cash & cash equivalents with a decrease of \$8,364,847. The result is primarily due to the increase in Capital projects. Decreases occurred in the Inventory asset and Investments categories.

Cash and cash equivalents make up 79% of current assets and includes: petty cash and other imprest funds totaling \$13,000, the checking account balance of \$5,019,264, and \$12,581,045 invested overnight with the State of Washington Local Government Investment Pool (LGIP). In addition to the LGIP investments, at year end the City had \$1,245,064 or 5.6% of current assets invested in U.S. government

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2019**

agency securities which will mature in 2021. At year-end the LGIP net earnings rate was 1.77% and other investments were earning an average 1.65%.

The remaining current asset balance at December 31, 2019 was \$4,613,095 or 20.8% of current assets. Of this amount, \$1,099,572 was for taxes receivable, \$153,250 was for accounts receivable, \$82 was for special assessments receivable, \$4,848 was for accrued interest receivable, \$61,698 was for other current receivables, \$1,799,636 was for intergovernmental receivables, \$40,556 was for inventory, and \$125,381 was for prepaid items.

Of the accounts receivable amount of \$153,250, 56.9%, or \$87,249, was in governmental activities for receivables from individuals, businesses, and developers and 43.1% or \$66,001 was in business-type activities for delinquent surface water management fees. The City establishes deposit accounts for developer projects. When charges exceed the deposit amounts, the developers are billed. If developer receivables are not collected, the developer projects are put on hold. In business-type activities, surface water management fee receivables are billed by King County with the property tax billing and are usually highly collectible.

The remaining receivables are comprised of \$82 in settlement receivables from the Lake Management District, \$4,848 for accrued interest, and \$61,698 due from others for items such as annual fire permits, maintenance facility lease, false alarms, and delinquent gambling taxes.

The due from other governments amount of \$1,799,636 is categorized as follows: from the State of Washington, Taxes of \$285,811, TIB Grant of 810,874; from King County, accrued property tax of \$37,877 and \$196,000 for Parks CIP ballfields. In addition, amounts due for court services include \$20,473 due from the City of Kent and \$164 from the City of Enumclaw. Amounts were also due from Tahoma School District (School Resource Officer) and TIB Grant funding for project T39, \$810,875. Of the amount due from the State of Washington, \$70,825 is for vehicle excise taxes collected by the State in December 2019 and remitted to the City in January 2020. Of the amount due from King County, \$271,118 is for REET, \$5,845 is due from King County for 2019 property taxes paid in 2019 but remitted to the City in January of 2020. The amounts due from the City of Kent and City of Enumclaw relate to court revenue collected by them but not yet remitted to the City.

In business-type activities, the inventory amount of \$40,556 is for pro shop merchandise and food and beverage inventory at the Lake Wilderness Golf Course. A physical inventory is taken at year end with expenditures adjusted to reflect the change in inventory from the preceding year. Inventory is valued at actual cost, based on invoice price to purchase the items in inventory. The prepaid items of \$125,381, which include both government-type and business-type activities, relate to 2019 costs required to be paid prior to the end of 2019; this is made up predominantly of the building rental for City Hall, trainings, and memberships for 2019 and beyond. Due from other governments in the amount of \$68,898 includes grant funding due from the Department of Ecology, the Department of Commerce and Storm Water fees from King County.

Capital assets, net of accumulated depreciation, totaled \$385,017,990 which is an \$8,028,346 increase from the adjusted prior year amount of \$376,989,644. The capital assets include infrastructure assets and related depreciation as the City has chosen not to use the modified approach which, in lieu of depreciation of infrastructure assets, evaluates condition and maintenance level.

The table that follows shows, by capital asset type, the capital asset year-end balances.

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2019**

**City of Maple Valley's Capital Assets
(Net of Accumulated Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Land	\$ 218,708,572	\$ 216,736,715	\$ 14,427,479	\$ 14,427,479	\$ 233,136,051	\$ 231,164,194
Art	51,603	-	-	-	51,603	-
Intangibles-Easement	324,000	314,018	-	-	324,000	314,018
Buildings	11,003,739	7,197,316	707,396	735,082	11,711,135	7,932,398
Improvements other than Bldg	127,400,098	128,076,971	1,150,307	1,218,270	128,550,405	129,295,241
Machinery & Equipment	2,754,088	762,059	0	0	2,754,089	762,059
Intangibles-Field Rights	1,200,000	1,400,000	-	-	1,200,000	1,400,000
Intangibles-Software	170,294	130,982	1,308	2,615	171,602	133,597
Construction in Progress	7,119,105	5,988,137	-	-	7,119,105	5,988,137
Total Capital Assets	\$ 368,731,499	\$ 360,606,198	\$ 16,286,491	\$ 16,383,446	\$ 385,017,990	\$ 376,989,644

The majority of capital asset activity occurred in the governmental activities, which had \$8,125,301 in additions consisting of land, \$1,971,857; art, \$51,603; construction in progress, \$1,130,968; machinery and equipment, \$1,992,029; and intangibles-software, \$39,312. These increases were offset by decreases in intangibles-field rights, \$200,000; improvements other than buildings, \$676,873 and depreciation expense of \$9,378,047 in governmental activities. For capital assets of business-type activities there was no change in land; while depreciation expense totaled \$99,856.

Long-term liabilities at December 31, 2019, totaled \$7,501,916. This reflects a decrease of \$1,315,660 from the December 31, 2018 amount of \$8,817,576. This the non-current portion of bonds payable. The net pension liability of the Public Employees Retirement System was lower for governmental activities and increased in business activities.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Contracts & Loans - Current	\$ 184,621	\$ 184,621	\$ -	\$ -	\$ 184,621	\$ 184,621
General Obligation Bonds - Current	815,000	760,000	-	-	815,000	760,000
Contracts & Loans Payable	738,484	923,105	-	-	738,484	923,105
GO Bonds Payable	4,315,820	5,179,196	-	-	4,315,820	5,179,196
Total Long-term Debt	6,053,925	7,046,922	-	-	6,053,925	7,046,922
Net Pension Liability	1,375,311	1,700,106	72,680	70,549	1,447,991	1,770,654
Total Long-term Liabilities	\$ 7,429,236	\$ 8,747,028	\$ 72,680	\$ 70,549	\$ 7,501,916	\$ 8,817,576

Statement of Activities. The *Statement of Activities* provides an overview of the changes in net position from December 31, 2018 to December 31, 2019. The condensed *Statement of Activities* shown in the table below compares the revenue and expenses for governmental and business-type activities for the current and prior year, and identifies the changes in net position.

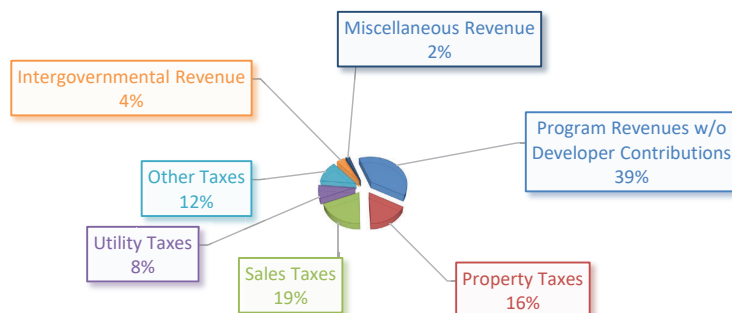
**City of Maple Valley
Management's Discussion and Analysis
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Condensed Statement of Activities						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues by Major Source						
Program Revenues						
Charges for Services	\$ 5,069,993	\$ 3,240,689	\$ 2,540,791	\$ 2,477,897	\$ 7,610,784	\$ 5,718,585
Operating Grants & Contributions	146,400	147,928	-	50,000	146,400	197,928
Capital Grants & Contributions	5,027,611	1,434,476	79,254	264,837	5,106,865	1,699,313
General Revenues						
Property Taxes	4,029,084	3,814,598	-	-	4,029,084	3,814,598
Sales Taxes	4,707,357	4,391,493	21,770	22,562	4,729,127	4,414,054
Utility Taxes	1,889,336	1,928,518	-	-	1,889,336	1,928,518
Other Taxes	2,956,052	2,904,413	-	-	2,956,052	2,904,413
Intergovernmental Revenue	1,185,908	975,233	-	-	1,185,908	975,233
Miscellaneous Revenue	475,335	247,406	91,331	63,867	566,666	311,273
Total Revenues	25,487,076	19,084,754	2,733,146	2,879,162	28,220,222	21,963,916
Expenses by Function						
General Government	2,677,101	2,846,225	-	-	2,677,101	2,846,225
Economic Environment	3,220,834	1,334,317	-	-	3,220,834	1,334,317
Mental and Physical Health	306,384	94,904	-	-	306,384	94,904
Culture and Recreation	4,179,221	3,384,233	1,175,096	1,139,718	5,354,317	4,523,950
Public Safety	5,404,441	4,799,103	-	-	5,404,441	4,799,103
Transportation	10,423,430	10,128,399	-	-	10,423,430	10,128,399
Utilities and Environment	151,924	174,630	1,072,994	505,981	1,224,918	680,611
Interest on Long-term Debt	(72,045)	97,465	-	-	(72,045)	97,465
Total Expenses	26,291,290	22,859,276	2,248,090	1,645,699	28,539,380.00	24,504,974.53
Excess (Deficiency) of Revenues over Expenses	(804,214)	(3,774,522)	485,056	1,233,463	(319,158)	(2,541,058)
Transfers In/(Out)	1,321,764	28,663	(1,321,764)	(28,663)	-	-
Gain (loss) on sale of capital assets - Land	-	2,432,490	-	-	-	2,432,490
Increase (Decrease) in Net Position	517,550	(1,313,369)	(836,708)	1,204,801	(319,158)	(108,568)
Net Position - January 1	374,497,547	375,768,506	20,874,515	19,669,714	395,372,061	395,438,220
Prior Period Adjustment	131,735	42,410	-	-	131,735	42,410
Net Position - December 31	\$ 375,146,832	\$ 374,497,547	\$ 20,037,807	\$ 20,874,515	\$ 395,184,638	\$ 395,372,061

Governmental Activities

Governmental activity revenues were \$6,402,322 higher than the prior year amount as a result of increased program revenues. Program revenues of Capital Grants and Contributions increased \$3,593,135. Charges for services were \$5,069,993, or \$1,829,304 higher than in the prior year. Other than utility taxes that generated \$1,889,336, a decrease of \$39,182, all revenue categories within general revenues for governmental activities showed increases with sales tax growth at 7% and other taxes at 2% over the prior year amount. Program revenues of governmental activities are subject to variable changes for developer contributions and grant funding. The chart below shows the distribution of the City revenues from governmental activities. Developer contributions are removed from the chart to provide a more meaningful analysis.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Governmental activity general revenues are up \$981,200 or 6.5% from \$14,261,661 in 2018 to \$15,242,861 in 2019. As stated above, all revenue categories with general revenue of governmental activities have increased. The largest sources of tax revenue increases are identified below.

- Property taxes, which provided 29% of the tax base, increased \$214,486 or 5.3% ;
- Sales taxes make up 35% of the tax base for the City and grew by 7% in 2019;
- Utility taxes, which provide 14% of the tax base, decreased 2% to \$1,889,336;
- Real estate excise tax, shown as Other Taxes, 18.4% of the tax base, increased \$52,286 or 2.6%.
- Vehicle excise taxes represents 3% of the tax base, and increased \$23,794 or 5.4%;

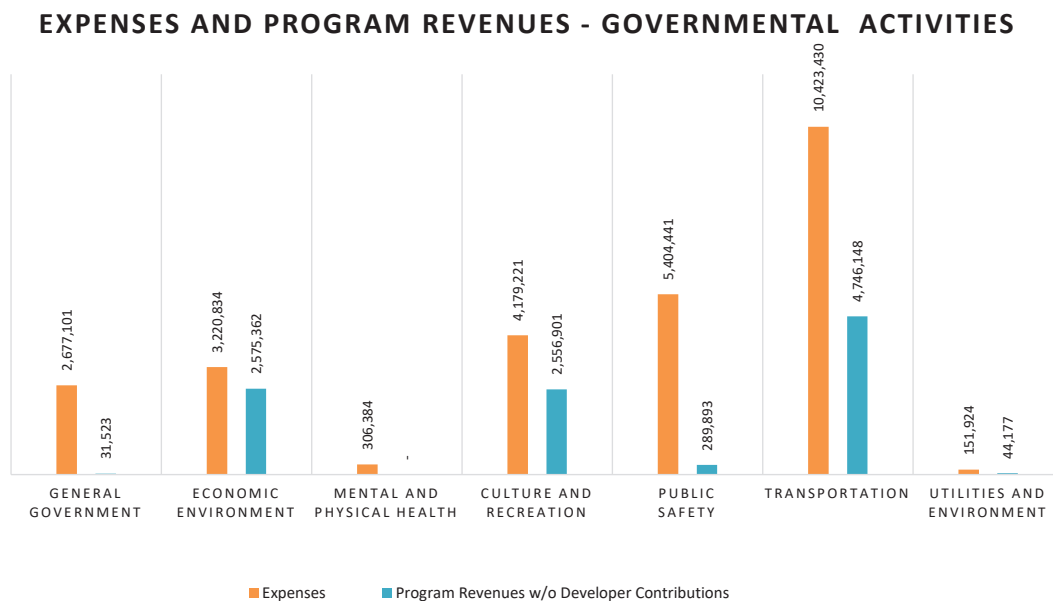
The City's property tax levy per \$1,000 of assessed value decreased in 2019 from \$1.04 to \$0.96. This is due to the City's total assessed valuation increased at a higher rate than the City's allowable property tax increase.

Sales tax revenue includes two components: locally generated revenue, \$3,769,630 and public safety-related revenue distributed to cities based on population, \$937,727. The locally generated revenue is from two main sources, construction and non-construction retail sales. In 2019, construction sales generated 20% of the City's total sales tax revenue, a decrease from the 25% rate in 2018. The City also allocates the portion of sales tax generated by the Lake Wilderness Golf Course to the Lake Wilderness Golf Course Fund. This amount was \$21,770 in 2019.

Real estate excise tax revenue increased \$52,286 or 2.6% from \$1,990,992 to \$2,043,278 primarily due to an increase in the value of existing property sales in 2019 compared to 2018. The number of Single Family Residential (SFR) sales declined by 35; the number of new homes increased by 23 from in the prior year to 125 for 2019 while existing homes declined in number by 58. The real estate excise tax is 1.78% on the sale of real property, with the City receiving 0.5%.

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The chart below compares program expenses to program revenue.



In all programs, expenses exceeded revenues, which confirms that governmental activities are supported in part by general governmental revenues (taxes and intergovernmental revenue). In general government, program revenue from special licenses and passports was 1.2 % of program expenses. For the economic environment function, program revenue was 80% of program expenses. Culture and Recreation had the next highest coverage of program expenses at 61.2%. Culture and Recreation function had a decline in their ratio of charges for services to expenses. It was 36.7% in 2018 and the current year is 33.2%. In transportation, program revenue, without developer contributions, was 37.8% of program expenses; this represents an increase from 21% in 2018.

Governmental activity expenses in total increased 15% from \$22,859,276 in 2018 to \$26,291,290 in 2019. The government expenses are reported under the following functions: general government, economic environment, mental and physical health, culture and recreation, public safety, transportation, utilities and environment, and interest on long term debt.

General government expenses, include the city council, city manager, city clerk, city attorney, human resources, central services, public defender, prosecutor, court, and finance. This function represents 10% of total governmental expenses.

Expenses for the economic environment function include planning, building operations, and economic development. This category increased \$1,886,517 or 41.4% over the 2018 amount of \$1,334,317.

Mental and physical health expenses were increased 30.9% to \$306,384 for 2019. Vine Maple Place received a grant of \$20,000 to support its mission of providing transitional housing, mentorship, child advocacy and life-skills training assistance to homeless single parents. The City also awards the Maple Valley Food Bank and Emergency Services grant funding to provide vital nutritional resources to those in need.

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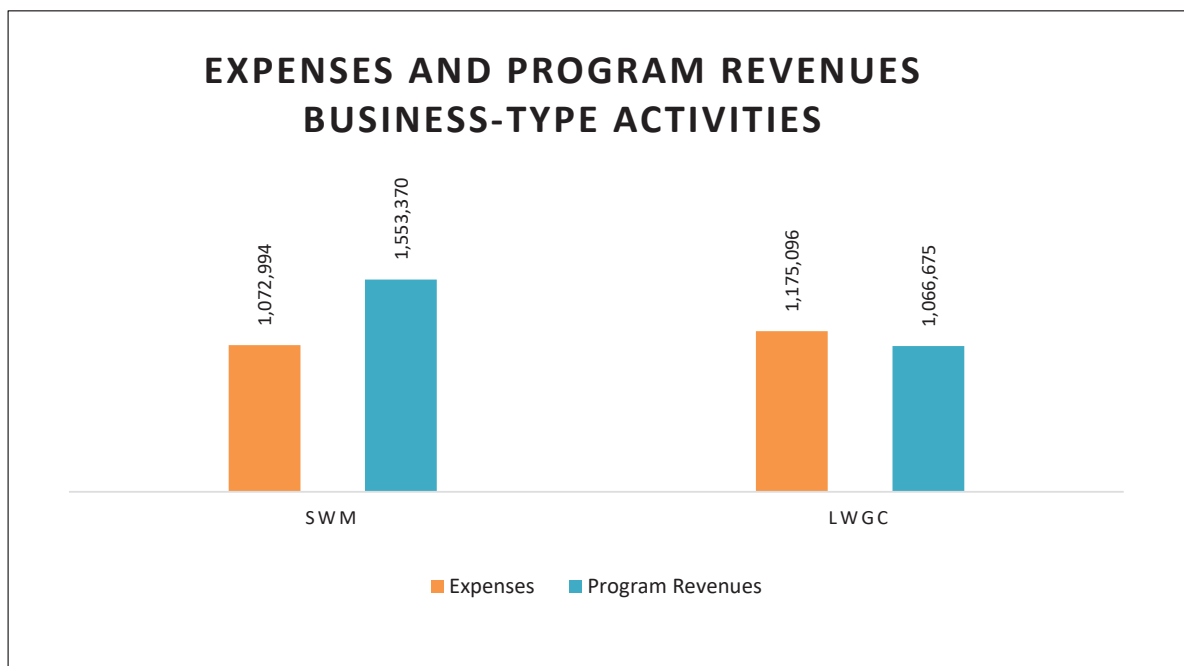
Culture and Recreation expenses, including parks maintenance, Lake Wilderness Lodge, recreation programs, community events, and funding for community service agencies, decreased \$794,988 or 19% to a total of \$4,179,221, which represents 15.9% of total government expenses. Program revenues are collected to offset a portion of the cost to provide them.

Police, jail, and fire services comprise the public safety function. The City contracts with King County for police officers, vehicles, equipment, and support costs. The City directly employs one police civilian to assist with administrative services. The police contract gives the City 24-hour coverage, seven days a week, with specifically identified police officers wearing City uniforms and driving police cars that bear the City of Maple Valley insignia. The City has entered into an interlocal agreement with the Tahoma School District which will reimburse the City for 50% of the cost of the School Resource Officer each year. The reimbursement for 2019 was \$129,345. Total expenses for contracted police operations for the year were \$5,404,441, an increase of 12.6%.

Transportation expenses include development, transportation planning, and street maintenance, and is 40% of total governmental expenses in 2019. Actual expenses went down by \$295,030 or 2.9% compared to the prior year.

The utilities and environment function involves waste reduction and recycling for the community. These expenses decreased \$22,705 or 13% from 2018. Program revenues of \$44,177 provided 29% coverage of expenses in 2019.

Business-type activities. As of December 31, 2019 the City of Maple Valley operated two business-type activities, the surface water management operations and the Lake Wilderness Golf Course operations. The chart below compares program expenses to program revenue.



City of Maple Valley Management's Discussion and Analysis December 31, 2019

In the surface water management operation, charges for services increased by 4.2% to \$1,474,116. The cost of services was increased by 47% and depreciation expense was \$36,632. During 2019, the change in net position was \$753,082, a decrease of 4.4%.

The Lake Wilderness Golf Course, an 18-hole golf course with the capability of having a full service restaurant with banquet facilities, was purchased in November 2006 to save it from development. The course had traditionally been subsidized by the City each year, though in 2015, 2017, and 2018, it generated a small surplus. During 2018, the City requested bids for management services, and CourseCo was selected.

The golf course had total operating revenues of \$1,088,496 in 2019, which equals a decrease of less than 1% over 2018. The golf operations resulted in a 2.3 % increase, while the restaurant operations reduced their revenues by \$19,201 or 9%. Operating expenses increased by 3%, and the operating income before depreciation expense shows a deficit of \$26,275. With depreciation and other non-operating revenues and expenses, the change in net position was reduced by \$83,626 to \$3,506,203.

Financial Analysis of Government's Funds

As noted earlier, the City of Maple Valley uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds. The focus of the City of Maple Valley's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. This information is useful in determining the City's ability to meet financial requirements in the near future. In particular, *unassigned fund balances* serve as a good indicator of the City's resources available for spending at the end of the fiscal year.

At December 31, 2019, the City of Maple Valley's governmental funds reported combined fund balances of \$13,474,048; a decrease of \$8,993,857 in comparison with the prior year. Approximately 36% of this amount or \$4,874,014 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable in form (\$128,055), restricted for specific purposes (\$8,130,144), committed for a specific purpose (\$41,860) such as public art, or assigned for a specific purpose (\$299,975).

Proprietary Funds. The City of Maple Valley's *proprietary funds* has two types of Enterprise Funds: business-type activities, Surface Water Management and the Lake Wilderness Golf Course Fund, and internal service funds. Internal service funds are used to accumulate and allocate costs internally amongst the City's various departments. The three internal service funds are Vehicle Rental Fund, Central Service Fund, and the Unemployment Trust Fund. As a reminder, the internal funds in the City of Maple Valley are categorized as governmental activities in the Statement of Net Position and the Statement of Activities.

The total change in net position of the business-type proprietary funds in 2019 was \$836,708. The combined total ending net position equal \$20.04 million. The majority of the net position is within the net investment in capital assets (\$16,286,491). The surface water management program represents 79% of total net investments in capital assets with the golf course at 22%.

General Fund Budgetary Highlights

**City of Maple Valley
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Per state law, budgetary control is at the fund level. Though budgetary control is required at the fund level, it is maintained at the project, organization, and object code level. The following table compares the total expenditure General Fund original budget, for the year ended December 31, 2019.

General Fund Budget Amendments on Total Expenditures					
	Original Budget	Budget Amendments	Final Budget	Actual	% of Budget
General Fund	\$ 16,126,020	\$ 3,615,941	\$ 19,741,961	\$ 19,962,658	101%
Amendments					
Park Patrol		\$ 12,650			
Tree Removal		8,870			
PerfectMind Software		38,550			
Summit Park Transfers		2,793,766			
Plan Review Services		25,000			
City Hall Generator		150,000			
IT Allocation to GF		9,350			
Unemployment Transfers		30,000			
ACM Salary & Benefit Adjustments		2,730			
Downtown Guides & Standards Contract		162,600			
Reclass Associate Planner to Senior Planner		6,010			
Jail Services		119,980			
Prosecution Services		53,755			
EOC HSD Grant		2,058			
On-Call Parks Maintenance		1,790			
LW Lodge HVAC Repairs		15,000			
Contribution to I-90 Temporary Improvements		50,000			
Ford F550		5,000			
PW Maintenance Structures		115,000			
Maple Valley Food Bank		10,000			
Greater Maple Valley Community Center		3,832			
Total General Fund Budget Amendments		\$ 3,615,941			

General Fund amendments in 2019 totaled \$3,615,941 which are detailed above. The General Fund's actual expenditures were 101% of its budget, an increase from 94% in 2018.

The City of Maple Valley has historically prepared annual budgets for all funds but converted to a biennial budget for 2017-2018. In the City of Maple Valley, most Special Revenue Funds have no expenditure budgets because accumulated restricted funds are budgeted and transferred to other funds to provide resources for their expenditures. If the funds are to be used for operating purposes, they are budgeted and transferred to the General Fund where budget control is maintained. If the funds are to be used for capital purposes, they are transferred to the Capital Improvement Plan Fund where budget control is maintained. The exceptions to this general rule are the Drug Seizure and Transportation Benefit Special Revenue funds. Expenditures could occur within both funds. The budget and actual information for non-General and non-Special Revenue Funds are included after the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City of Maple Valley's governmental activities are funded primarily by property tax and various other taxes including sales, utility, admission, and business and occupation. The City also receives revenue from state-shared revenues (i.e., liquor excise taxes, liquor profits taxes, gas taxes, etc.), development

**City of Maple Valley
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services and franchise fees, licenses, and grants from the county, state and federal governments. Users pay a fee or charge for business-type and certain governmental activities such as permitting and recreation programs.

The City Council Goals and Objectives reflect the City's commitment to economic development. City staff continues to work with the Economic Development Committee and Legacy Site Task Force to discuss developing plans for the 54 acre Maple Valley Legacy Place site. An Economic Development Manager was hired and provides leadership, communication, and coordination with the City Manager and other department staff for the development, recommendation and implementation of policies, programs, and procedures as well as negotiations for new development that accomplish the City Council's goals and objectives to ensure the economic health and vitality of the City. The City has also contracted with a consultant to implement a branding plan.

Requests for Information

This financial report is designed to provide a general overview of the City of Maple Valley's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Maple Valley Finance Department, 22017 SE Wax Road, Suite 200, Maple Valley, WA 98038, telephone 425-413-8800, or visit the City's website at www.maplevalleywa.gov.

City of Maple Valley
Statement of Net Position
December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 13,608,926	\$ 3,853,695	\$ 17,462,621
Investments	979,476	286,704	1,266,180
Cash with Fiscal Agent	62,700	-	62,700
Taxes Receivable	1,099,572	-	1,099,572
Accounts Receivable	87,249	66,001	153,250
Special Assessments Receivable	82	-	82
Accrued Interest Receivable	4,453	395	4,848
Other Current Receivables	61,698	-	61,698
Due from Other Governments	1,738,204	68,898	1,807,102
Inventory	-	40,556	40,556
Prepayments	113,834	11,547	125,381
Capital Assets not Being Depreciated:			
Art	51,603	-	51,603
Land	218,708,572	14,427,480	233,136,052
Intangibles - Easement	324,000	-	324,000
Construction in Progress	7,119,105	-	7,119,105
Capital Assets Net of Accumulated Depreciation:			
Buildings	11,003,739	707,396	11,711,135
Machinery & Equipment	2,754,088	-	2,754,088
Intangibles - Software	170,294	1,308	171,602
Intangibles - Land Use	1,200,000	-	1,200,000
Infrastructure	120,057,435	-	120,057,435
Other Improvements	7,342,663	1,150,307	8,492,970
Total Capital Assets	<u>368,731,499</u>	<u>16,286,491</u>	<u>385,017,990</u>
Total assets	<u>386,487,693</u>	<u>20,614,287</u>	<u>407,101,980</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	<u>511,893</u>	<u>25,158</u>	<u>537,051</u>
Total deferred outflows of resources	<u>511,893</u>	<u>25,158</u>	<u>537,051</u>
Total assets and deferred outflows of resources	<u>386,999,586</u>	<u>20,639,445</u>	<u>407,639,031</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	977,339	368,951	1,346,290
Payroll Payable	233,132	24,691	257,823
Due to Other Governments	1,052,511	37,766	1,090,277
Custodial Accounts	78,701	10,179	88,880
Customer Deposits	558,322	15,440	573,762
Unearned Revenue	464,137	21,532	485,669
Contracts Payable	54,567	-	54,567
Compensated Absences	186,049	7,273	193,322
Accrued Interest Payable	16,951	-	16,951
Total current liabilities	<u>3,621,709</u>	<u>485,832</u>	<u>4,107,541</u>
Noncurrent liabilities:			
Contracts & Loans - Due within one year	184,621	-	184,621
General Obligation Bonds - Due within one year	815,000	-	815,000
Contracts & Loans - Due after one year	738,484	-	738,484
General Obligation Bonds - Due after one year	4,315,820	-	4,315,820
Net Pension Liability	1,375,311	72,680	1,447,991
Total noncurrent liabilities	<u>7,429,236</u>	<u>72,680</u>	<u>7,501,916</u>
Total liabilities	<u>11,050,945</u>	<u>558,512</u>	<u>11,609,457</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Property Tax	7,153	-	7,153
Deferred Inflows Related to Debt Refunding	13,134	-	13,134
Deferred Inflows Related to Pensions	774,054	43,125	817,179
Total deferred inflows of resources	<u>794,341</u>	<u>43,125</u>	<u>837,466</u>
Total liabilities and deferred inflows of resources	<u>11,845,286</u>	<u>601,637</u>	<u>12,446,923</u>
NET POSITION			
Net investment in capital assets	362,664,441	16,286,490	378,950,931
Restricted for:			
General Capital Projects	3,805,499	-	3,805,499
Park Capital Projects	658,493	-	658,493
Transportation Capital Projects	3,591,785	-	3,591,785
Public Safety	74,367	-	74,367
Golf Course Management	-	15,950	15,950
Surface and Storm Water Management	-	3,735,366	3,735,366
Unrestricted	4,352,249	-	4,352,249
Total net position	<u>\$ 375,146,834</u>	<u>\$ 20,037,806</u>	<u>\$ 395,184,640</u>

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

City of Maple Valley
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General Government	\$ 2,677,101	\$ 31,042	\$ 481	\$ -	\$ (2,645,578)	\$ -
Economic Environment	3,220,834	2,503,145	72,217	-	(645,472)	-
Mental & Physical Health	306,384	-	-	-	(306,384)	-
Culture & Recreation	4,179,221	1,388,331	22,535	1,146,035	(1,622,320)	-
Public Safety	5,404,441	278,535	6,990	4,368	(5,114,548)	-
Transportation	10,423,430	868,940	-	3,877,208	(5,677,282)	-
Utilities & Environment	151,924	-	44,177	-	(107,747)	-
Interest on Long-Term Debt	(72,045)	-	-	-	72,045	-
Total governmental activities	26,291,290	5,069,993	146,400	5,027,611	(16,047,286)	-
Business-type activities:						
Lake Wilderness Golf Course	1,175,096	1,066,675	-	-	-	(108,421)
Surface Water Management Program	1,072,994	1,474,116	-	79,254	480,376	480,376
Total business-type activities	2,248,090	2,540,791	-	79,254	371,955	371,955
Total primary government	\$28,539,380	\$ 7,610,784	\$ 146,400	\$ 5,106,865	(16,047,286)	(15,675,331)
General revenues:						
Property Tax					4,029,084	-
Sales Tax					4,707,357	21,770
Utility Tax					1,889,336	-
Excise Tax in Lieu of Property Tax					418,271	-
Other Taxes (Real Estate Excise)					2,043,278	-
Business & Occupation (Gambling) Tax					71,809	-
Franchise Fees (Taxes)					422,694	-
State Shared Revenue					1,185,908	-
Investment Earnings					423,744	91,280
Other Miscellaneous Revenue					51,380	51
Insurance Recoveries					211	211
Transfers					1,321,764	(1,321,764)
Total general revenues, special items, and transfers					16,564,836	15,356,173
Change in net position					517,550	(319,158)
Net position - beginning					374,497,547	395,372,061
Prior Period Adjustments					131,735	131,735
Restated Net Position - beginning					374,629,282	395,503,796
Net position - ending					\$375,146,832	\$395,184,638

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

City of Maple Valley
Balance Sheet
Governmental Funds
December 31, 2019

	GENERAL FUND	Transportation Impact Fee Fund	Real Estate Excise Tax	Park Development	Capital Improvement Plan	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 4,784,381	\$ 2,409,226	\$ 3,290,985	\$ 303,664	\$ 562,095	\$ 1,453,971	\$ 12,804,322
Investments	352,499	181,138	242,949	22,387	-	106,513	905,486
Cash with Fiscal Agent	-	-	-	-	62,700	-	62,700
Taxes Receivable	1,099,572	-	-	-	-	-	1,099,572
Accounts Receivable	59,702	-	-	-	-	-	59,702
Special Assessments Receivable	82	-	-	-	-	-	82
Accrued Interest Receivable	3,431	317	448	38	-	152	4,386
Other Current Receivables	61,698	-	-	-	-	-	61,698
Intergovernmental Receivable	1,155,200	-	271,118	-	233,596	70,825	1,730,739
Prepayments	65,355	-	-	-	-	-	65,355
Total assets	\$ 7,581,920	\$ 2,590,681	\$ 3,805,500	\$ 326,089	\$ 858,391	\$ 1,631,461	\$ 16,794,042
LIABILITIES, DEFERRED INFLOWS OF RESOURCES and FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 288,539	\$ -	\$ -	\$ -	\$ 654,097	\$ 1,581	\$ 944,217
Payroll Payable	213,897	-	-	-	4,148	-	218,045
Intergovernmental Payable	1,033,221	-	-	-	16,196	-	1,049,417
Custodial Accounts	24,134	-	-	-	54,567	-	78,701
Customer Deposits	558,322	-	-	-	-	-	558,322
Unearned Revenue	217,311	-	-	-	-	246,826	464,137
Total liabilities	2,335,424	-	-	-	729,008	248,407	3,312,839
DEFERRED INFLOW OF RESOURCES							
Deferred Inflows Related to Property Tax	7,153	-	-	-	-	-	7,153
Total deferred inflow of resources	7,153	-	-	-	-	-	7,153
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	62,700
Escrow Deposit	65,355	-	-	-	62,700	-	65,355
Prepaid Items	-	-	-	-	-	-	-
Restricted	-	-	2,859,657	-	-	-	2,859,657
1st .25% Capital Purposes	-	-	945,842	-	-	-	945,842
2nd .25% Capital Purposes	-	-	-	-	-	74,367	74,367
Drug Investigations	-	-	-	-	-	332,404	658,493
Parks & Recreation Capital	-	-	-	326,089	-	901,490	901,490
Transportation Infrastructure	-	-	-	-	-	74,792	2,690,295
Transportation Capital Projects	-	2,590,681	-	-	24,822	-	-
Committed	-	-	-	-	-	-	-
Public Art Purposes	-	-	-	-	41,860	-	41,860
Assigned	299,975	-	-	-	-	-	299,975
Offset of projected decline in permitting revenue	4,874,014	-	-	-	-	-	4,874,014
Unassigned	5,239,344	2,590,681	3,805,499	326,089	129,382	1,383,053	13,474,048
Total fund balances	\$ 7,581,921	\$ 2,590,681	\$ 3,805,499	\$ 326,089	\$ 858,391	\$ 1,631,460	\$ 16,794,040
Total liabilities, deferred inflow of resources and fund balances							

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

**City of Maple Valley
Reconciliation of Balance Sheet
To the Statement of Net Position
December 31, 2019**

Fund balances of governmental funds		\$13,474,050
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Note 6) These assets consist of:		
Non-Depreciable Capital Assets		
Land	218,708,572	
Intangibles-Easement	324,000	
Construction in Progress	7,119,105	
Intangibles-Software	0	
Art	51,603	
		226,203,280
Depreciable Capital Assets		
Buildings	12,654,738	
Leasehold Improvements	76,681	
Machinery, Equipment, and Vehicles	3,919,553	
Intangibles - Software	520,678	
Intangibles - Field Rights	3,756,895	
Infrastructure	293,437,717	
Less: Accumulated Depreciation	(170,737,164)	
Less: Accumulated Amortization	(1,143,289)	
		142,485,809
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. (Notes 7 and 8)		
Accrued Interest on Contracts, Loans, and Bonds Payable	(16,951)	
Compensated Absences, excluding the Internal Service Funds	(179,000)	
Contracts, Loans, and Bonds Payable	(6,053,924)	
Net Pension Liability, excluding the Internal Service Funds	(1,284,314)	
		(7,534,189)
Some deferred inflows and outflows of resources are not reported in the funds. (Notes 8 and 11)		
		0
Deferred Inflow on Refunding General Obligation Bonds	(13,134)	
Deferred Outflow Related to Pensions, excluding the Internal Service Funds	444,564	
Deferred Inflow Related to Pensions, excluding the Internal Service Funds	(762,062)	
		(330,632)
Unrestricted net assets of internal service funds are included in the governmental activities in the Statement of Net Position.		
		747,666
Internal service funds are used by the City to charge the costs of vehicle rental, central services, and unemployment insurance to individual funds. The net revenue of certain activities in internal service funds is reported with governmental activities.		
		100,851
Net position of governmental activities		<u>\$375,146,835</u>

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

City of Maple Valley
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	GENERAL FUND	Transportation Impact Fee Fund	Real Estate Excise Tax	Park Development	Capital Improvement Plan	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Tax	3,972,348	-	-	-	-	56,736	4,029,084
Sales Tax	4,707,357	-	-	-	-	-	4,707,357
Utility Tax	1,889,336	-	-	-	-	-	1,889,336
Gambling Tax	70,294	-	-	-	-	-	70,294
Excise Tax in Lieu of Property Tax	911	-	-	-	-	417,360	418,271
Licenses & Permits	1,092,390	-	-	-	-	-	1,092,390
Other Taxes (Real Estate Excise)	-	-	2,043,278	-	-	-	2,043,278
Intergovernmental Revenue	2,842,658	-	-	-	3,545,773	-	6,388,431
Charges for Services	1,217,148	756,243	-	418,608	-	-	2,391,999
Fines & Forfeitures	115,726	-	-	-	-	-	115,726
Miscellaneous Revenue	578,167	76,432	116,788	8,297	6,064	77,197	862,945
Capital Contributions	12,000	-	-	-	-	-	12,000
Total revenues	16,498,335	832,675	2,160,066	426,905	3,551,837	551,293	24,021,111
EXPENDITURES							
Current:							
General Government	2,739,938	-	-	-	73	-	2,740,011
Economic Environment	3,258,960	-	-	-	-	-	3,258,960
Mental & Physical Health	306,384	-	-	-	-	-	306,384
Culture & Recreation	3,087,937	-	-	-	78,695	-	3,166,632
Public Safety	5,376,565	-	-	-	-	18,831	5,395,396
Transportation	1,735,415	-	-	-	3,989	-	1,739,404
Utilities & Environment	136,720	-	-	-	-	-	136,720
Debt service:							
Interest	-	-	-	-	-	234,866	234,866
Principal	-	-	-	-	-	944,621	944,621
Capital outlay:							
Capital Outlay	59,383	-	-	-	16,289,415	5,973	16,354,771
Total expenditures	16,701,302	-	-	-	16,372,172	1,204,291	34,277,665
Excess (deficiency) of revenues over expenditures	(202,967)	832,675	2,160,066	426,905	(12,820,335)	(652,998)	(10,256,654)
OTHER FINANCING SOURCES (USES)							
Insurance Recoveries	211	-	-	-	-	-	211
Transfers in	70,600	-	-	-	12,570,870	1,179,487	13,820,957
Transfers Out	(3,261,355)	(2,103,751)	(4,783,351)	(483,937)	-	(1,912,229)	(12,544,623)
Total other financing sources (uses)	(3,190,544)	(2,103,751)	(4,783,351)	(483,937)	12,570,870	(732,742)	1,276,545
Net change in fund balances	(3,393,511)	(1,271,076)	(2,623,285)	(57,032)	(249,465)	(1,385,740)	(8,980,109)
Fund balances - beginning	8,646,601	3,861,757	6,428,784	383,121	378,847	2,768,794	22,467,904
Prior Period Adjustment	(13,745)	-	-	-	-	-	(13,745)
Restated Fund balances - beginning	8,632,856	3,861,757	6,428,784	383,121	378,847	2,768,794	22,454,159
Fund balances - ending	5,239,345	2,590,681	3,805,499	326,089	129,382	1,383,054	13,474,050

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

City of Maple Valley
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds		(\$8,993,855)
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Amounts reported for governmental activities in the statement of net position are different because:

In the Statement of Revenues, Expenditures, and Changes in Fund Balances for governmental funds, non-cash contributions of capital assets from entities outside the government are not reported. In the Statement of Activities, the fair value of these assets is recorded at contribution.

Developer Contributions - Land	356,979	
Developer Contributions - Infrastructure	<u>452,174</u>	
		809,153

In the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds report capital outlays as expenditures.

Capital Outlay	16,669,271	
Capital Disposals	<u>(17,486)</u>	
		16,651,785

In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

General Government	(54,019)	
Economic Environment	(15,628)	
Culture and Recreation	(583,321)	
Public Safety	(16,714)	
Transportation	(8,693,161)	
Utilities and Environment	<u>(15,204)</u>	
		(9,378,047)

In the Statement of Revenues, Expenditures, and Changes in Fund Balances,

Repayment of Long-Term Debt	944,621	
Amortization of Bond Premium	48,377	
Decrease in Accrued Interest on Long-Term Debt	34,084	
Increase in Compensated Absences Payable	<u>5,260</u>	
		1,032,342

Certain expenditures reported in the funds either increase or decrease long-term liabilities or deferred outflows of resources reported on the Statement of Net Position and have been eliminated from the Statement of Activities.

Pension Expense, excluding the Internal Service Funds	<u>260,787</u>	
		260,787

Amortization of some deferred outflows of resources are not reported in the funds.

Deferred Inflow on Refunding of GO Bonds & Annual Amortization	<u>14,328</u>	
		14,328

Internal service funds are used by the City to charge the costs of vehicle rental, central services, and unemployment insurance to individual funds. The net revenue of certain activities in internal service funds is reported with governmental activities.

Investment Earnings	13,286	
Gain (Loss) on Retirement of Capital Assets	12,338	
Transfers	45,430	
Prior Period Adjustment	<u>145,480</u>	
		36,259
		<u>216,534</u>

Change in net position of governmental activities		<u>\$649,286</u>
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The notes to financial statements are an integral part of this statement.

City of Maple Valley
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Unassigned	\$ 21,000	\$ 21,000	\$ -	\$ (21,000)
Property Tax	3,953,670	3,934,860	3,972,348	37,488
Sales Tax	4,803,990	4,803,990	4,707,357	(96,633)
Utility Tax	1,924,430	1,924,430	1,889,336	(35,094)
Gambling Tax	41,390	41,390	70,294	28,904
Excise Tax in Lieu of Property Tax	3,700	3,700	911	(2,789)
Licenses & Permits	1,227,480	1,227,480	1,092,390	(135,090)
Intergovernmental Revenue	1,201,019	1,203,077	2,842,658	1,639,581
Charges for Services	1,563,390	1,588,390	1,217,148	(371,242)
Fines & Forfeitures	105,450	105,450	115,726	10,276
Miscellaneous Revenue	557,630	557,630	578,167	20,537
Capital Contributions	-	-	12,000	12,000
Total revenues	<u>15,403,149</u>	<u>15,411,397</u>	<u>16,498,335</u>	<u>1,086,938</u>
EXPENDITURES				
Current:				
Unassigned	78,220	224,740	-	224,740
General Government	2,995,810	2,816,965	2,739,938	77,027
Economic Environment	1,658,780	1,922,530	3,258,960	(1,336,430)
Mental & Physical Health	46,360	302,692	306,384	(3,692)
Culture & Recreation	3,421,780	3,254,570	3,087,937	166,633
Public Safety	5,266,030	5,527,078	5,376,565	150,513
Transportation	1,909,530	1,989,800	1,735,415	254,385
Utilities & Environment	179,260	159,570	136,720	22,850
Total current	<u>15,555,770</u>	<u>16,197,945</u>	<u>16,641,919</u>	<u>(443,974)</u>
Debt service:				
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay:				
Capital Outlay	67,080	67,080	59,383	7,697
Total capital outlay	<u>67,080</u>	<u>67,080</u>	<u>59,383</u>	<u>7,697</u>
Unassigned	5,059,150	4,404,767	-	4,404,767
Total expenditures	<u>20,682,000</u>	<u>20,669,792</u>	<u>16,701,302</u>	<u>3,968,490</u>
Excess (deficiency) of revenues over expenditures	<u>(5,278,851)</u>	<u>(5,258,395)</u>	<u>(202,967)</u>	<u>5,055,428</u>
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	-	211	211
Transfers In	88,730	88,730	70,600	(18,130)
Transfers Out	(503,170)	(3,476,936)	(3,261,355)	215,581
Prior Period Adjustment	-	-	(13,745)	(13,745)
Total other financing sources (uses)	<u>(414,440)</u>	<u>(3,388,206)</u>	<u>(3,204,289)</u>	<u>183,917</u>
Net change in fund balances	(5,693,291)	(8,646,601)	(3,407,256)	5,239,345
Fund balances - beginning	8,646,601	8,646,601	8,646,601	-
Fund balances - ending	<u>\$2,953,310</u>	<u>\$ -</u>	<u>\$5,239,345</u>	<u>\$ 5,239,345</u>

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

City of Maple Valley
Transportation Development
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 578,040	\$ 578,040	\$ 756,243	\$ 178,203
Miscellaneous Revenue	19,380	19,380	118,785	99,405
Total revenues	597,420	597,420	875,028	277,608
EXPENDITURES				
Current:				
Total current	-	-	-	-
Debt service:				
Total debt service	-	-	-	-
Capital outlay:				
Total capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	597,420	597,420	875,028	277,608
OTHER FINANCING SOURCES (USES)				
Transfers Out	(179,700)	(179,700)	(35,643)	144,057
Total other financing sources (uses)	(179,700)	(179,700)	(35,643)	144,057
Net change in fund balances	417,720	417,720	839,385	421,665
Fund balances - beginning	3,945,778	4,041,457	4,041,457	-
Fund balances - ending	\$ 4,363,498	\$ 4,459,177	\$ 4,880,842	\$ 421,665

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

City of Maple Valley
Park Development
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
King County Park Tax (Property Tax)	\$ 53,580	\$ 53,580	\$ 56,736	\$ 3,156
Charges for Services	244,760	244,760	418,608	173,848
Miscellaneous Revenue	13,800	13,800	16,599	2,799
Total revenues	<u>312,140</u>	<u>312,140</u>	<u>491,943</u>	<u>179,803</u>
EXPENDITURES				
Current:				
Unassigned	-	-	-	-
Total current	-	-	-	-
Debt service:				
Total debt service	-	-	-	-
Capital outlay:				
Total capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	<u>312,140</u>	<u>312,140</u>	<u>491,943</u>	<u>179,803</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(292,900)	(728,885)	(680,837)	48,048
Total other financing sources (uses)	<u>(292,900)</u>	<u>(728,885)</u>	<u>(680,837)</u>	<u>48,048</u>
Net change in fund balances	19,240	(416,745)	(188,894)	227,851
Fund balances - beginning	458,332	847,388	847,388	-
Fund balances - ending	<u>\$477,572</u>	<u>\$430,643</u>	<u>\$658,494</u>	<u>\$ 227,851</u>

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

City of Maple Valley
Real Estate Excise Tax
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Other Taxes (Real Estate Excise)	\$1,899,555	\$ 1,899,555	\$2,043,278	\$ 143,723
Miscellaneous Revenue	15,250	15,250	116,788	101,538
Total revenues	<u>1,914,805</u>	<u>1,914,805</u>	<u>2,160,066</u>	<u>245,261</u>
EXPENDITURES				
Current:				
Total current	-	-	-	-
Debt service:				
Total debt service	-	-	-	-
Capital outlay:				
Total capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	<u>1,914,805</u>	<u>1,914,805</u>	<u>2,160,066</u>	<u>245,261</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(3,345,320)</u>	<u>(6,406,390)</u>	<u>(4,783,351)</u>	<u>1,623,039</u>
Total other financing sources (uses)	<u>(3,345,320)</u>	<u>(6,406,390)</u>	<u>(4,783,351)</u>	<u>1,623,039</u>
Net change in fund balances	(1,430,515)	(4,491,585)	(2,623,285)	1,868,300
Fund balances - beginning	<u>2,880,181</u>	<u>6,428,785</u>	<u>6,428,785</u>	-
Fund balances - ending	<u>\$1,449,666</u>	<u>\$ 1,937,200</u>	<u>\$3,805,500</u>	<u>\$ 1,868,300</u>

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

City of Maple Valley
Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-type Activities		Governmental Activities	
	Surface Water Management Program	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 3,708,442	\$ 145,253	\$ 3,853,695	\$ 818,416
Investments	276,237	10,468	286,705	60,180
Accounts Receivable	66,001	-	66,001	27,547
Accrued Interest Receivable	363	32	395	66
Intergovernmental Receivable	68,898	-	68,898	-
Inventory	-	40,556	40,556	-
Prepayments	11,547	-	11,547	48,479
Total current assets	4,131,488	196,309	4,327,797	954,688
Noncurrent assets:				
Land	12,147,262	2,280,218	14,427,480	-
Buildings	18,245	1,040,000	1,058,245	-
Machinery & Equipment	-	234,822	234,822	1,491,566
Intangibles	6,538	-	6,538	515,171
Other Capital Assets	1,128,379	1,013,977	2,142,356	-
Less: Accumulated Depreciation	(568,459)	(1,014,492)	(1,582,951)	(923,891)
Less: Accumulated Amortization	-	-	-	(392,793)
Total noncurrent assets	12,731,965	3,554,525	16,286,490	690,053
Total assets	16,863,453	3,750,834	20,614,287	1,644,741
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	24,851	307	25,158	31,499
Total deferred outflows of resources	24,851	307	25,158	31,499
Total assets and deferred outflows of resources	\$ 16,888,304	\$ 3,751,141	\$ 20,639,445	\$ 1,676,240
LIABILITIES				
Current liabilities:				
Accounts Payable	232,855	136,097	368,952	33,122
Payroll Payable	23,808	883	24,691	15,087
Intergovernmental Payable	33,869	3,897	37,766	3,094
Custodial Accounts	8,776	1,403	10,179	-
Unearned Revenue	-	36,972	36,972	-
Compensated Absences Payable	7,273	-	7,273	12,516
Total current liabilities	306,581	179,252	485,833	63,819
Noncurrent liabilities:				
Net Pension Liability	71,793	887	72,680	90,998
Total noncurrent liabilities	71,793	887	72,680	90,998
Total liabilities	378,374	180,139	558,513	154,817
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	42,599	526	43,125	53,994
Total deferred inflows of resources	42,599	526	43,125	53,994
Total liabilities and deferred inflows of resources	420,973	180,665	601,638	208,811
NET POSITION				
Net investment in capital assets	12,731,965	3,554,525	16,286,490	690,054
Restricted for:				
Golf Course Management	-	15,950	15,950	-
Surface and Storm Water Management	3,735,366	-	3,735,366	-
Unrestricted	-	-	-	777,374
Unallocated	-	-	-	1
Total net position	\$ 16,467,331	\$ 3,570,475	\$ 20,037,806	\$ 1,467,429

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

City of Maple Valley
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities			Governmental Activities
	Surface Water Management Program	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Surface Water Management Fees	\$ 1,462,416	\$ -	\$ 1,462,416	\$ -
Golf Operations	-	898,151	898,151	-
Restaurant Operations	-	190,345	190,345	-
Other Services	11,700	-	11,700	1,898,468
Total operating revenues	<u>1,474,116</u>	<u>1,088,496</u>	<u>2,562,612</u>	<u>1,898,468</u>
OPERATING EXPENSES				
Cost of Services	1,036,362	1,114,771	2,151,133	1,582,841
Depreciation & Amortization	36,632	60,325	96,957	154,854
Total operating expenses	<u>1,072,994</u>	<u>1,175,096</u>	<u>2,248,090</u>	<u>1,737,695</u>
Operating income (loss)	<u>401,122</u>	<u>(86,600)</u>	<u>314,522</u>	<u>160,773</u>
NONOPERATING REVENUES (EXPENSES)				
Gains (Losses)	-	-	-	12,338
Capital Contributions	79,254	-	79,254	-
Investment Earnings (Expense)	88,306	2,974	91,280	13,286
Total nonoperating revenues (expenses)	<u>167,560</u>	<u>2,974</u>	<u>170,534</u>	<u>25,624</u>
Income (loss) before contributions and transfers	568,682	(83,626)	485,056	186,397
Transfers In	-	-	-	45,430
Transfers Out	(1,321,764)	-	(1,321,764)	-
Change in Net Position	<u>(753,082)</u>	<u>(83,626)</u>	<u>(836,708)</u>	<u>231,827</u>
Total Net Position - Beginning	17,220,413	3,654,101	20,874,514	1,099,810
Prior Period Adjustment	-	-	-	145,480
Restated Total Net Position - Beginning	<u>17,220,413</u>	<u>3,654,101</u>	<u>20,874,514</u>	<u>1,245,290</u>
Total Net Position - Ending	<u>\$ 16,467,331</u>	<u>\$ 3,570,475</u>	<u>\$ 20,037,806</u>	<u>\$ 1,477,117</u>

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

City of Maple Valley
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management Program	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers	\$ (800,046)	\$ (1,013,172)	\$ (1,813,218)	\$ (1,561,463)
Cash Received from User Departments	-	-	-	1,879,165
Cash receipts from customers	1,483,590	1,105,490	2,589,080	7,465
Net cash provided (used) by operating activities	683,544	92,318	775,862	325,167
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Revenue	79,254	-	79,254	-
Transfers to Other Funds	(70,600)	-	(70,600)	45,430
Net cash provided (used) by noncapital financing activities	8,654	-	8,654	45,430
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Assets Purchased for Own Use	-	-	-	(296,848)
Proceeds from Sale of Capital Assets	-	-	-	12,338
Transfers to Other Funds	(1,251,163)	-	(1,251,163)	-
Net cash provided (used) by capital and related financing activities	(1,251,163)	-	(1,251,163)	(284,510)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	-	-	-	(33,070)
Proceeds from Investment Maturities	(273,234)	(10,438)	(283,672)	-
Interest on Investments	87,943	2,946	90,889	13,174
Net cash provided (used) by investing activities	(185,291)	(7,492)	(192,783)	(19,896)
Net increase (decrease) in cash and cash equivalents	(744,256)	84,826	(659,430)	66,191
Balances - beginning of year	4,452,698	60,427	4,513,125	752,224
Balances - end of the year	\$ 3,708,442	\$ 145,253	\$ 3,853,695	\$ 818,415
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating Income	\$ 401,121	\$ (86,600)	\$ 314,521	\$ 226,143
Changes in assets and liabilities:				
Change in Accumulated Depreciation	36,632	60,325	96,957	105,350
Change in Accumulated Amortization	-	-	-	49,505
Change of Receivables (Net of Uncollectibles)	25,691	-	25,691	(11,838)
Changes in Due from Other Governments	(13,704)	-	(13,704)	-
Change in Inventory	-	13,879	13,879	-
Change in Prepaid Items	(2,513)	1,839	(674)	13,829
Change in Accounts Payable	192,635	98,323	290,958	2,978
Change in Payroll Payable	11,805	728	12,533	7,049
Change in Due to Other Governments	21,457	1,226	22,683	(2,004)
Change in Deposits & Unearned Revenue	-	3,115	3,115	(62,308)
Change in Compensated Absences Payable	3,336	-	3,336	5,467
Change in Net Pension Liability	2,631	(500)	2,131	(9,852)
Change in Deferred Outflows of Resources	(7,387)	22	(7,365)	(4,493)
Change in Deferred Inflows of Resources	11,840	(39)	11,801	5,342
Net cash provided (used) by operating activities	\$ 683,544	\$ 92,318	\$ 775,862	\$ 325,168
Noncash investing, capital and financing activities				
CASH RECONCILIATION				
Actual Balance - end of year	\$ 3,708,442	\$ 145,253	\$ 3,853,695	\$ 818,416
Balance - end of year out of balance	-	-	-	1

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Maple Valley is a municipal corporation that operates under the Council / Manager form of government. The City has a non-partisan elected seven-member council that chooses from among its members a Mayor and Deputy Mayor. The Council appoints a professional City Manager. The accompanying financial statements of the City of Maple Valley have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The significant accounting policies applicable to the City of Maple Valley are described below.

The City's Comprehensive Annual Financial Report (CAFR) includes all activity for which the City of Maple Valley is considered to be financially accountable. Financial accountability is determined based on budget adoption, spending authority, taxing authority, and outstanding debt secured by revenues or general obligations of the City. There are no non-reported activities meeting any of these criteria.

B. GENERAL ACCOUNTING STANDARDS

The accompanying financial statements of the City of Maple Valley have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles, which are primarily set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

Since the issuance of the *Codification*, GASB has issued other statements that amend, clarify or provide certain specific guidance on governmental financial reporting. The City has reviewed all applicable statements through GASB Statement No. 86, 88 and 89, the last statement that has a 2019 effective date, and has implemented those that apply.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City of Maple Valley. *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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's surface water management and the Lake Wilderness Golf Course and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These statements also include certain adjustments to present the information with a measurement focus and basis of accounting applicable to business-type funds. See the discussion below on measurement focus and basis of accounting. The adjustments are shown in the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position, as well as the Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes are reported as *general revenues* along with other revenues not properly included as program revenues.

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Business-type funds segregate revenue and expenses into operating and non-operating categories. Operating revenue is considered to be the revenue generated from the purpose of the fund, in other words, what is paid by those who receive the service. Non-operating revenue is revenue received by other means, primarily investment earnings, but also includes intergovernmental revenue that is not received related to services rendered.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With the current financial resources measurement focus, the focus is on current assets and current liabilities and changes in financial position rather than changes in net position. Fund balance, current assets less current liabilities, measures increases (revenues and other financing sources) and decreases (expenditures and other financing uses) and is considered a measure of available, spendable resources. With the modified accrual basis of accounting, revenues are recognized only to the extent they are measurable and available to finance expenditures of the current fiscal period with debt service expenditures not accounted for until due. Revenue received within two months of year-end, meeting the above criteria, is considered for accrual.

The following revenue accrual policies apply to primary revenue sources. Property taxes are recognized as revenues in the year for which they are levied. Sales and use taxes are recognized as revenues in the year they are collected from the consumer assuming they are paid to the collecting agent, the Washington State Department of Revenue (DOR), in time for distribution to the City by the end of February of the following year (DOR's normal practice). Utility taxes, real estate excise taxes, and gambling taxes are recognized as revenue in the year collected from the consumer assuming

the collecting agent remits them to the City by the end of February. Non-tax revenue is recognized as earned.

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

E. ACCOUNTING SYSTEM

The City operates its accounting system on a fund structure as prescribed by Generally Accepted Accounting Principles applicable to governmental entities. Each fund is considered a separate accounting entity. Each is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and revenues and expenditures or expenses, as appropriate. The City's resources are allocated to and accounted for in individual funds depending on the expenditure restrictions of individual resources. The following describes the City's fund structure.

GOVERNMENTAL FUNDS

General Fund – The General Fund is the principal operating fund of the City. It accounts for the financial resources of the City that are not accounted for in any other fund. The principal sources of revenue are: property, sales, and utility taxes; licenses and permits; State-shared revenue; development and recreation charges for services; fines and forfeitures; and miscellaneous revenue that includes rental income and investment earnings. The General Fund accounts for all operating expenditures of the City except those accounted for in the business-type funds. Primary expenditures are for: general government, community development, human services, parks and recreation, public safety, and public works.

Special Revenue Funds – Special Revenue Funds account for specific revenue sources that would otherwise be accounted for in the General Fund, but for which there exist certain legal restrictions. The revenue is segregated into individual special revenue funds to ensure expenditure for a specific purpose. The City of Maple Valley has the following special revenue funds.

- **Transportation Development Fund** – to account for transportation impact fees and other funds restricted for transportation capital improvements;
- **Transportation Benefit Special Revenue Fund** – to account for the receipt and disbursement and/or transfer of vehicle excise taxes.
- **Park Development Fund** – to account for park impact fees and other funds restricted for park capital improvements;
- **Real Estate Excise Tax Fund** – to account for real estate excise taxes restricted for capital improvements;
- **Drug Seizure Fund** – to account for resources seized or otherwise acquired as part of enforcement of controlled substance, DUI and other public safety laws; and
- **Bond Proceeds Fund** – to account for resources received from General Obligation Bonds restricted for capital improvements.

Capital Projects Funds – Capital Projects Funds account for the financing of major capital acquisitions and construction projects other than those financed by business-type funds. Sources of revenue are typically: grants, bond proceeds, and transfers from other funds. The City maintains a single **Capital Improvement Plan Fund**. All capital expenditures not financed by business-type funds are accounted for in the Capital Improvement Plan Fund. The Capital Improvement Plan Fund provides separate accounting for each individual capital project. At year-end, completed projects and construction in progress are capitalized.

BUSINESS-TYPE FUNDS

Enterprise Funds – Enterprise funds account for activity for which a fee is charged to external users with the intent of covering all or a significant portion of expenses including depreciation. Enterprise funds are required if debt is issued that is backed solely by enterprise fund fees, or if there is a legal requirement, or policy decision to recover all direct costs. The City of Maple Valley has the following enterprise funds.

- **Surface Water Management Fund** – to account for the revenue generated by surface water management fees and their expenditure for surface water operating and capital purposes. At this time there is no outstanding debt, but a policy decision has been made to recover all direct costs.
- **Lake Wilderness Golf Course Fund** – to account for the revenue generated by golf and restaurant charges and their expenditure for Lake Wilderness Golf Course operating and capital purposes. The City acquired the golf course with cash on November 30, 2006 to save the land from development. The City has an agreement with Maple Valley Golf, LLC to manage the facility through December 31, 2023.

Internal Service Funds – Internal service funds account for the financing of centralized services, performed within the City, for departments of the City. Charges to the departments cover the cost of operations and include funding for future equipment replacement or for the accumulation of reserves for unforeseen future events. In the government-wide financial statements, the transactions between these funds and other City funds are eliminated. The City of Maple Valley has the following internal service funds:

- **Vehicle Replacement Fund** – to account for the operation of the City's vehicle fleet,
- **Central Services Fund** – to account for liability and property insurance, building services, office services, and information technology services; and
- **Unemployment Trust Fund** – to account for unemployment compensation payments.

F. FUND BALANCE POLICIES

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by ordinance, authorized the Finance Director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balances to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action is not usually required for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. INTERNAL CONTROL SYSTEM

City management is responsible for establishing and maintaining an internal control system. The system is designed to ensure that the assets of the City are protected from loss, theft, or misuse, and that adequate accounting data is available to prepare financial statements in conformity with Generally Accepted Accounting Principles. The internal control system is designed to provide reasonable but not absolute assurance that these objectives are met. Reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

B. BUDGET AND SPENDING CONTROL

Budgets serve as control mechanisms for the operations of governmental units. Legal budgetary (expenditure) control in the City of Maple Valley is at the fund level, but budget and actual information are maintained at the fund, project, department, and object classification levels. The budget is adopted on the basis of accounting consistent with Generally Accepted Accounting Principles for each fund type.

The City of Maple Valley did not use encumbrance accounting in 2019. Governmental funds require expenditure budgetary control when compared to the annual budget. Unexpended budgeted amounts lapse at year-end unless specifically re-appropriated by Council action, which is typically only for capital projects. Proprietary funds require budgetary control at the revenue over (under) expenditure level, including transfers in from other funds and excluding depreciation.

State law requires that the City adopt, at a minimum, an annual budget by December 31st of the preceding fiscal year. The City has opted to prepare a biennial budget. The first step in the biennial budget process is the identification by the Council of its priorities for the following biennium. This usually occurs in the spring at a Council retreat. The second step involves the forecasting of the revenue and the establishment of a baseline budget to carry existing programs into the next year. This step includes a six-year financial forecast to ensure that budget decisions for the following two years can be funded long term. The third step involves development, by the senior management staff, of detailed departmental budget requests for presentation to and discussion with the City Manager.

The City Manager then develops a preliminary budget that is presented to the City Council by the first of November.

The City Council holds public hearings and reviews the preliminary budget document during November and early December. The City Council then adopts, by State law by year-end, a budget ordinance appropriating funds at the fund level for the following biennium. An additional budget ordinance adopted in the first half of the budget year re-appropriates Council approved prior year unexpended budgeted amounts, usually for capital projects only, and adjusts beginning fund balances to actual previous year end amounts. Supplemental appropriations that amend total fund expenditures require a budget amendment ordinance approved by City Council. The City prepares quarterly financial reports which the Finance Director reviews with Council on a quarterly basis. The quarterly reports include a budget amendment ordinance if City Council actions during the quarter require one. The presentation of the year-end quarterly report includes the re-appropriating budget amendment ordinance as discussed above.

NOTE 3 CASH AND INVESTMENTS

Cash and cash equivalents include petty cash, a demand deposit checking account, and overnight investment in the State of Washington Local Government Investment Pool (LGIP). *Cash equivalents* are short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash; and (2) near their maturity that they represent insignificant risk of changes in value because of changes in interest rates. The LGIP and a certificate of deposit are considered to be *cash equivalents*. The petty cash accounts are included in the cash and cash equivalent amount of the General Fund. The other cash and cash equivalents along with other investments are accounted for within an internal City investment pool. Each City fund has equity in the pool. The beginning and ending month end equity positions are used to allocate monthly investment earnings.

Deposits to the City's checking account include: (1) City Hall deposits for development permits and fees, utility tax payments, and miscellaneous revenue; (2) Lake Wilderness Lodge deposits for recreation program charges and Lodge rental fees; (3) Lake Wilderness Golf Course deposits made directly to the City's account by the golf contractor; and (4) King County automated clearing house deposits made directly to the City's account for property taxes, surface water management fees, and real estate excise taxes collected by the County. State deposits are made directly to the City's investment account at the State of Washington Local Government Investment Pool (LGIP). The State deposits include amounts for sales taxes, State-shared revenues, City business license revenue, Transportation Benefit District vehicle excise taxes, and LGIP investment earnings. In addition to the automated investment deposits, the City invests its excess cash in the LGIP and government agency securities in accordance with the City's investment policy as well as State law regarding allowable investments for local governments.

The Washington State Local Government Investment Pool (LGIP), created by the Washington State Legislature in 1986, is managed and operated solely by the Office of the State Treasurer. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory committee. The advisory committee includes 12 members selected from the active pool participants. Eight members are appointed by the participant associations, and four are appointed by the State Treasurer.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. This measurement is done at the end of the reporting period. The LGIP is considered to be an extremely low risk investment. The pool is unrated by financial rating agencies. The

pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB Statement 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LGIP Interest rates ranged from 1.77% to 2.54% in 2019. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The LGIP is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The City's position in the pool is the same as the value of the shares.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All City deposits are insured by Federal Depository Insurance (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (WPDPC) of the State of Washington.

The WPDPC is a statutory authority established under RCW chapter 39.58. It constitutes a multiple financial institution collateral arrangement that provides for additional assessments against members of the pool providing for 100% collateralization of each institution's public deposits. Provisions of RCW chapter 39.58, section 60 authorize the WPDPC to make pro-rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

Custodial Credit Risk – Investments. For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All City securities are held for safekeeping by US Bank, as the City's agent, in the City's name.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City diversifies its investments by security type and institution. The investment policy states: "No more than 15% of the portfolio may be invested in a single security and no more than 25% of the portfolio may be invested in the securities of a single issuer" with the exception of the LGIP.

The City has other investments in addition to investments in the LGIP. Based upon the City's policy and State law, allowable investments outside the LGIP are: repurchase agreements, U.S. government obligations or agencies, banker's acceptances, commercial paper, and certificates of deposit. Though all investments are allowable, the City's investment policy provides additional security. The City has a safekeeping agreement with a third-party custody bank. All investments, outside the LGIP except any certificates of deposits, are held by this independent third party in its trust department. In addition to addressing custodial credit risk, the City's policy requires a portfolio that is diversified by maturity, default risk, and liquidity risk. The following summarizes these aspects of the City's investment policy.

1. Maturity – No more than 50% of the portfolio may be invested beyond 12 months and the average maturity of the portfolio may not exceed two years.
2. Liquidity risk – At least 10% of the portfolio must be invested in overnight instruments or in marketable instruments that can be sold to raise cash on one day's notice.

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The City measures and reports investments at fair value using the valuation input hierarchy established by Generally Accepted Accounting Principles as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

The following summarizes the City's cash and investment activity at December 31, 2019.

	Beginning Balance	Receipts and Investments Purchased	Disbursements and Investments Sold	Ending Balance
Cash & Cash Equivalents				
Petty Cash	\$ 20,000	\$ 450	\$ 7,450	\$ 13,000
Demand Deposits	2,329,928	38,485,515	35,893,696	4,921,747
Investments (LGIP)	23,621,212	6,459,833	17,500,000	12,581,045
Total Cash & Cash Equivalents	\$25,971,140	\$ 44,945,798	\$ 53,401,146	\$ 17,515,792
Cash with Fiscal Agents	\$ -	\$ 62,700	\$ -	\$ 62,700
Investments (Level 1)				
Other Investments (Gov. Agency)	\$ 2,231,600	\$ 12,834	\$ 999,370	\$ 1,245,064
Total Investments	\$ 2,231,600	\$ 12,834	\$ 999,370	\$ 1,245,064

All investments, except certificates of deposit insured by the PDPC, are delivered to the City's custody bank and payment is not released until the investments are received. The custody bank holds the investment and remits interest payments to the City. The government agency securities are AAA rated investments. The following table shows the investments held by the custody bank at year-end. They are shown both at amortized cost and at fair value.

	Amortized Cost	Fair Value
Other Investments		
U.S. Government Securities	\$ 1,225,262	\$ 1,245,064

NOTE 4 RECEIVABLES AND OTHER SHORT-TERM ASSETS

Receivable and other short-term asset amounts at year-end totaled \$3,292,489, up \$990,611, from the prior year amount of \$2,301,878. The increase is related to a substantial increase in due from other governments, \$1,085,096. The following table summarizes the year-end receivables and short-term

City of Maple Valley
Notes to the Financial Statements
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assets and compares the amounts to the prior year. All receivables are listed as net of allowances for uncollectible amounts, but no amounts are considered uncollectible.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Receivables (net of uncollectibles)						
Taxes	\$ 1,099,572	\$ 1,075,952	\$ -	\$ -	\$ 1,099,572	\$ 1,075,952
Customer Accounts	87,249	114,644	66,001	91,693	153,250	206,337
Special Assessments	82	82	-	-	82	82
Accrued Interest	4,453	34,407	395	4	4,848	34,411
Other Current	61,698	75,526	-	-	61,698	75,526
Due from Other Governments	1,738,204	666,812	68,898	55,194	1,807,102	722,006
Inventory	-	-	40,556	54,434	40,556	54,434
Prepaid Items	113,834	122,255	11,547	10,873	125,381	133,129
Total Receivables & Short-term Assets	\$ 3,105,092	\$ 2,089,679	\$ 187,397	\$ 212,198	\$ 3,292,489	\$ 2,301,878

The taxes receivable amount of \$1,099,572 is categorized as follows: property taxes, \$7,153; sales taxes, \$698,326; utility taxes, \$267,911; gambling taxes, \$27,073; and franchise fees \$99,109. The property taxes are billed and collected by King County and remitted to the City daily as collected. Of the property taxes receivable amount, 68.2% is from 2019 delinquencies, with 31.8% from prior year delinquencies. If amounts are not collected in seven years, properties are sold to pay the taxes. For other taxes receivable, amounts are actual collections through the first two months of 2020.

Of the total accounts receivable amount for 2019 of \$153,250, 57% or \$87,249 was in governmental activities for receivables from individuals, businesses, and developers and 43% or \$66,001 was in business-type activities, which is for surface water management fees. The accounts receivable in governmental activities were \$55,688 in overspent developer deposits, \$4,014 in Parks & Recreation fees, and \$27,547 internal services receivable. The City establishes deposit accounts for developer projects. When charges exceed the deposit amounts, the developers are billed. If developer receivables are not collected, the developer projects are put on hold. In business-type activities, surface water management fee receivables are billed by King County with the property tax billing and are usually highly collectible.

The remaining receivables are comprised of \$82 in settlement receivables from the Lake Management District, \$4,848 for accrued interest, and \$61,698 due from others for items such as annual fire permits, maintenance facility lease, and false alarms.

Due from Other Governments consists of amount owed by external state and local governments or agencies. The amount for governmental activities is \$1,738,204, and consists of the following: State of Washington, \$1,024,090, for grant revenue on transportation and parks & recreation, an additional \$357,211 is due from the State of Washington for shared revenue, King County for real estate excise taxes and other items, \$303,771, Tahoma School District, \$32,494 for School Resource Officer, City of Kent, \$20,474, and Enumclaw, \$164, relate to court revenue collected by them but not yet remitted to the City. For business-type activities, the State of Washington portion is \$54,541 for grant revenue, and King County owes for the collection of surface water management fees remitted to the City in January and February 2020.

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Other short-term assets represent inventory and prepaid expenses. Inventory in the business-type activities consists includes \$40,556 of pro shop merchandise and restaurant inventory. A physical inventory is taken at year end with expenditures adjusted to reflect the change in inventory during the year. Inventory is valued at actual cost based on the invoice price. Total prepaid items of \$125,381, are costs required to be paid prior to the end of 2019; this is made up predominantly of the building rental for City Hall, trainings, and memberships for 2020.

NOTE 5 INTERFUND ACTIVITY

Interfund activity, other than interfund receivables or payables required to fund a project pending receipt of grant funds, is done on a cash basis. The internal service funds are funded with month end cash receipts from the departments to which they provide service. These charges are recorded as expenditures to the fund and department receiving the service and as revenue in the Internal Service Funds with amounts eliminated in the government-wide financial statements.

The following table shows 2019 interfund transfers, excluding Internal Service Fund activity:

	Transfers	
	In	Out
General Fund	\$ 70,600	\$ 3,260,925
Debt Fund	1,179,487	-
Transportation Impact Fee Fund		2,103,751
Transportation Development Fund	-	35,643
Park Development Fund	-	483,937
KC Trail & Open Space		196,900
Real Estate Excise Tax Fund	-	4,783,781
Transportation Benefit Special Revenue Fund	-	401,031
Bond Proceeds Fund	-	1,278,655
Capital Improvement Projects	12,570,870	-
Surface Water Management Fund	-	1,321,764
Internal Service Fund - Unemployment	45,430	-
	\$ 13,866,387	\$ 13,866,387

The General Fund received transfers-in amounting to \$70,600, was from the Surface Water Management Fund to fund lake management expenditures.

The Capital Improvement Plan Fund received transfers of \$12,570,870 as funds were budgeted and expended for capital projects as follows:

City of Maple Valley
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General Fund	\$	2,919,820
Transportation Benefit Special Revenue Fund		401,031
Transportation Impact Fee Fund		1,904,552
Park Impact Fee Fund		483,937
Real Estate Excise Tax Fund		4,099,169
Bond Proceeds Fund		1,278,655
King County Trail & Open Space Fund		196,900
Park Development Fund		35,643
Surface Water Management Fund		1,251,164
Total	\$	<u>12,570,870</u>

The Unemployment Trust Fund received a transfer of \$45,430 from the General Fund to fund claimant payments.

NOTE 6 CAPITAL ASSETS

The capital assets include land, buildings, improvements other than buildings, machinery and equipment, and construction in progress. Infrastructure assets (roads and related improvements), including both those constructed since January 1, 2000 at actual cost and those constructed before January 1, 2000 at estimated costs, are included on the face of the financial statements in improvements other than buildings.

The City defines capital assets as items of a capital nature with a useful life of more than one year and a cost of more than \$5,000. If purchased or constructed, such capital assets are recorded at cost. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as construction in progress until the projects are completed. The table that follows summarizes the City's capital asset activity during 2019.

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	Restated Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 216,736,714	\$ 1,971,858		\$ 218,708,572
Art	-	51,603		51,603
Intangibles-Easement	314,018	9,982		324,000
Construction in Progress	5,988,137	15,051,336	(13,920,368)	7,119,105
Total	223,038,869	17,084,779	(13,920,368)	226,203,280
Capital Assets being depreciated				
Buildings	10,332,799	4,078,834		14,411,633
Improvements Other Than Buildings	285,506,404	8,007,992		293,514,396
Machinery & Equipment	559,105	1,906,591		2,465,696
Machinery & Equipment (IS Funds)	1,297,008	294,758	(137,911)	1,453,855
Intangibles-Field Rights	2,000,000	-		2,000,000
Intangibles (IS Funds)	516,680	46,408		563,088
Total	300,211,996	14,334,583	(137,911)	314,408,668
Accumulated Depreciation				
Buildings	(3,135,483)	(272,411)		(3,407,894)
Improvements Other Than Buildings	(157,429,433)	(8,684,865)		(166,114,298)
Machinery & Equipment	(175,656)	(65,917)		(241,573)
Machinery & Equipment (IS Funds)	(918,397)	(105,349)	99,856	(923,890)
Intangibles-Field Rights	(600,000)	(200,000)		(800,000)
Intangibles (IS Funds)	(343,289)	(49,505)		(392,794)
Total	(162,602,258)	(9,378,047)	99,856	(171,880,449)
Net Capital Assets being depreciated	137,609,738	4,956,536	(38,055)	142,528,219
Governmental Activities, Net Capital Assets	\$ 360,648,607	\$ 22,041,315	\$ (13,958,423)	\$ 368,731,499

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type Activities				
Capital Assets not being depreciated				
Land	\$ 14,427,479	\$ -	\$ -	\$ 14,427,479
Total	14,427,479			14,427,479
Capital Assets being depreciated				
Buildings	1,058,245	-	-	1,058,245
Improvements Other Than Buildings	2,142,356	-	-	2,142,356
Machinery & Equipment	234,822	-	-	234,822
Intangibles	6,538	-	-	6,538
Total	3,441,961	-	-	3,441,961
Accumulated Depreciation				
Buildings	(323,163)	(27,686)	-	(350,849)
Improvements Other Than Buildings	(924,086)	(67,963)	-	(992,049)
Machinery & Equipment	(234,822)	-	-	(234,822)
Intangibles	(3,923)	(1,307)	-	(5,230)
Total	(1,485,994)	(96,956)	-	(1,582,950)
Net Capital Assets being depreciated	1,955,967	(96,956)	-	1,859,012
Business-type, Net Capital Assets	\$ 16,383,446	\$ (96,956)	\$ -	\$ 16,286,491

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In 2019 the City had a net capital asset increase of \$7,985,936. The amount reflects the fact that capital new asset additions of \$31,419,362, are offset by a decrease in construction in progress of \$13,920,368, and increases in accumulated depreciation of \$9,745,003, and a retirement with a book value of \$38,055.

The net additions to land of \$1,971,858 represent a combination of developer contributions, right-of-way purchases, and land development for Summit Park. Developer contributions include \$356,980 from Overlook Phase II, and Edinburgh Final Plat. Right-of-way parcels were purchased in the amount of \$74,171 for the widening of SR 169 from Witte Road to SE 244th Street. In addition, open space was contributed to the City from Covington Golf Course Inc. and was valued at \$288,870. The remainder, \$1,251,837, represents land clearing for Summit Park.

The transportation project T-44, Kent Kangley and 242nd Ave Intersection, required the purchase of a sidewalk and utility easement for \$9,982.

The City commissioned and dedicated the "Papa Bear" statute, which totaled \$51,603. It is located in the roundabout on 276th Street near Summit Park.

The additions to construction in progress totaled \$15,051,336 for ten capital projects for which the City made expenditures in 2019. The three significant transportation projects were the SR 169 – Witte Road to SE 244th Street, \$5,053,893, Kent Kangley & 242nd Ave Intersection, \$834,747, and Phase II Witte Road-SE 249th Place to SE 256th Street, \$163,996. The two significant parks and recreation projects were the Summit Ballfields, \$8,687,048, and the Beach House Remodel, \$7,104. Both of these park projects were completed in 2019, and represent the reduction in construction in progress. In addition, other construction in progress expenditures totaling \$311,652 were spent on a variety of transportation, parks, and facilities projects.

Buildings had additions of \$4,078,834 during 2019. The Lake Wilderness Beach house was completed with total building costs of \$2,132,497. Summit Park added a picnic shelter and restroom facilities for \$1,388,888. Other structures added to Summit Park were six dugouts, \$346,287, and a trash enclosure, \$21,720. The Park Maintenance department added a storage structure for equipment and tools for \$16,702. Additional assets were contributions to the City. A heated storage shed was donated by the Maple Valley Historical Society valued at \$72,740 and existing structures on the Covington Golf Course donation were valued at \$100,000.

Improvements other than buildings increased by \$8,007,992 during 2019. The majority, \$6,966,882, consist of the amenities at Summit Park.: sport fields, skate park, sports court, playground and dog park. Other items include landscaping, fencing and paving. Other additions outside of Summit Park include Lake Wilderness parking lot expansion, \$397,278, parking lot at Elk Run, \$26,658, and land improvements valued at \$165,000 on the open space contributed by Covington Golf Course Inc. Finally, developer contributions of streets from Overlook Phase II and Edinburgh totaled \$452,174.

Machinery and equipment additions in governmental activities totaled \$2,201,349. The purchases included \$1,769,462 at Summit Park for playground equipment, soccer goals & anchors, bleachers, benches, field lights, and picnic tables. The City received a donated vehicle from King County with a value of \$4,368, and is being utilized by our police department. CCTV security cameras were installed at Lake Wilderness, \$121,279, and a GPS receiver was replaced for \$7,931. The remaining amount of \$298,309 is for vehicles, trailers, pond mower, and other items used by Parks Maintenance and Public Works staff.

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The governmental activities had a restatement of the beginning balances for capital assets. The restatement is for the intangible assets of the internal service funds. The previous report had an ending balance of \$474,270; however, an addition of \$42,410 was not included in the calculation.

Capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated lives:

The actual useful life used will vary according to the above parameters depending on the type and use of the equipment.

Capital Asset Types	Lives in Years
Buildings	
Buildings	40
Building Improvements	10
Improvements Other Than Buildings	
Leasehold Improvements	7-10
Infrastructure Improvements	25-30
Other Improvements	10-30
Machinery and Equipment	
Information Technology Equipment	5
Telephones	5-7
Vehicles	7
Furniture	15
Heavy Duty Equipment	7-20

The depreciation of general capital assets used in the operation of governmental funds reduces the capital asset balances and is shown as an expense by program on the Statement of Activities. The depreciation associated with the capital assets of the proprietary funds is shown on financial statements of the respective proprietary funds. Depreciation is not recognized until the year following the purchase of the asset. The following table shows the amount of depreciation charged to each governmental function.

Governmental Activities	
Functions/Programs	
General Government	\$ 54,019
Economic Environment	15,628
Culture & Recreation	583,321
Public Safety	16,714
Transportation	8,693,161
Utilities & Environment	15,204
Total Governmental Activities	\$ 9,378,047
Business-Type Activities	
Total Proprietary Activities	\$ 96,957
Total Depreciation	\$ 9,475,004

NOTE 7 PAYABLES AND OTHER SHORT-TERM LIABILITIES

Payables and other short-term liabilities at year-end totaled \$4,107,541, up \$1,310,612 from the prior year amount of \$2,796,929. The majority of the increase is in Accounts Payable, Due to Other Governments, and Deposits & Unearned Revenue as discussed below. The following table summarizes the year-end payables and short-term liabilities and compares the amounts to the prior year.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Accounts Payable	\$ 977,339	\$ 643,156	\$ 368,951	\$ 88,072	\$ 1,346,290	\$ 731,228
Payroll Payable	233,132	116,964	24,691	12,259	257,823	129,224
Due to Other Governments	1,052,511	177,562	37,766	15,084	1,090,277	192,646
Deposits & Unearned Revenue	1,155,727	1,463,694	47,151	33,856	1,202,878	1,497,550
Compensated Absences	186,049	191,309	7,273	3,937	193,322	195,246
Accrued Interest Payable	16,951	51,036	-	-	16,951	51,036
Total Payables & Short-term Liabilities	<u>\$ 3,621,709</u>	<u>\$ 2,643,722</u>	<u>\$ 485,832</u>	<u>\$ 153,208</u>	<u>\$ 4,107,541</u>	<u>\$ 2,796,929</u>

The accounts payable balance of \$1,346,290 is primarily related to various expenditures in the General Fund where the work was performed or goods delivered prior to year-end but payment was not made until early the following year. The expense for these items is included in 2019 with a corresponding accounts payable accrual. The Payroll payable balance of \$257,823 is related to the accrued liability for salaries and wages earned in 2019 for both Governmental and Business-type activities but not paid until 2020. The due to other government's balance of \$1,090,277 is primarily payables of \$805,420 due to King County of for two months of contract police services along with amounts owed to State of Washington, City of Kent, the Department of Retirement Systems, and others at year-end.

Total deposits and unearned revenue for governmental activities of \$1,155,727, decreased by \$307,967, from last year. The \$1,155,727 represents two distinct areas, one for future events and the second for developer contributions. Unearned revenue of \$464,137, Deposits of \$558,322, Contracts Payable of \$54,567 and Custodial Accounts of \$78,701. Future events include recreational activities and Lake Wilderness Lodge events scheduled in 2020 or later, \$217,310. Developer contributions on transportation projects are held awaiting improvements, \$246,827. Business-type activities has \$21,532 in unearned revenue for golf course membership, tournaments and banquets, and gift cards.

The developer deposits are collected from applicants at the beginning of a development project. The amount of the developer deposit depends on the type of development and is based on the anticipated cost of project review. The City tracks staff time and consultant costs against the deposit amounts. Deposits that are overdrawn are billed. At year-end, overdrawn deposits are reclassified to accounts receivables as described in Note 4. The non-receivable amounts remain in the deposit account until all charges have occurred and the project is complete at which time the remaining balance is refunded.

With respect to compensated absences, the City's policy allows employees to accumulate vacation leave to an amount up to the number of hours they can earn in one year, and sick leave with no maximum. At year-end vacation and compensatory time hours plus sick leave hours, calculated at 25% and at the likelihood of being paid off at retirement from the State retirement system, are valued at the individual employee's year-end wage rate. The compensated absences payable amount is adjusted at year-end for any change in the amount of the liability and is only reported in governmental funds if they have matured. The vacation and compensatory time portion of the liability is \$155,602, and is assumed to be

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due within one year since the maximum vacation year-end balance is a one-year accrual and the maximum amount of compensatory time is 40 hours. The sick leave pay-out portion of the liability is \$25,665. The City also accrues the cost of benefits for accumulated compensated absences. The benefit accrual was \$12,055 in 2019. In prior years the liability has been liquidated by the General Fund and that is the intent in future years.

The accrued interest payable amount represents the interest due from December 1, 2019 to December 31, 2019 on the City's general obligation bonds, \$14,643, and the interest due from July 1, 2019 to December 31, 2019 on the City's contracts and loans payable, \$2,308.

NOTE 8 LONG-TERM LIABILITIES

Long-term liabilities totaled \$8,205,717 at year-end. This was a \$611,859 decrease from the 2018 balance of \$8,817,576. All of the City's long-term debt is associated with governmental activities, but beginning in 2015 the City has reported its proportionate share of the Public Employees' Retirement System's (PERS) Net Pension Liability as a long-term liability in both the governmental activities and business type activities. The following is a comparative table summarizing long-term liability amounts for the current and prior year.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Contracts & Loans - Current	\$ 184,621	\$ 184,621	\$ -	\$ -	\$ 184,621	\$ 184,621
General Obligation Bonds - Curren	815,000	760,000	-	-	815,000	760,000
Contracts & Loans Payable	923,105	923,105	-	-	923,105	923,105
GO Bonds Payable	4,835,000	5,179,196	-	-	4,835,000	5,179,196
Total Long-term Debt	6,757,726	7,046,922	-	-	6,757,726	7,046,922
Net Pension Liability	1,375,311	1,700,106	72,680	70,549	1,447,991	1,770,654
Total Long-term Liabilities	\$ 8,133,037	\$ 8,747,028	\$ 72,680	\$ 70,549	\$ 8,205,717	\$ 8,817,576

On March 31, 2014, the City issued limited tax general obligation bonds totaling \$1,530,000 with a coupon rate of 2.3%. Interest payments will be made on June 1 and December 1 of each year, and principal payments annually on December 1, until final maturity of the bonds on December 1, 2023. Annual debt service costs after the initial partial year will be approximately \$180,000. The bonds were issued so the City could enter into a \$2,000,000 interlocal agreement with King County Department of Natural Resources and Parks, Parks and Recreation Division to contribute funds towards the design, development, and construction of two synthetic multiuse athletic fields at King County's Ravensdale Park. All bond proceeds were spent by December 31, 2014.

On March 23, 2015 the City of Maple Valley City Council authorized the refunding of the outstanding 2005 Refunding Bonds and to pay debt issuance costs via Ordinance No. O-15-573. The bond sale closed on April 30, 2015. The \$2,835,000 principal amount 2015 Limited Tax General Obligation

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Refunding Bonds were issued with a coupon rate of 3% through 2019 and 4% in 2020, the final year repayment. The True Interest Cost of the bonds, including debt issuance costs, is 1.39%. The bonds were sold with an \$187,980 premium. The result of the bond sale is a net present value savings of \$221,451 for debt service payments in 2015 through 2020. The refunding resulted in a deferred inflow of \$80,000 offset by prior year amortization of \$23,881 and current year amortization of \$14,328 resulting in a year-end balance of \$41,791.

On September 11, 2018, the City issued limited tax general obligation bonds totaling \$3,775,000 with a coupon rate of 3% for the first five years, increasing to 4% for the remaining debt service years. Interest payments will be made on June 1 and December 1 of each year, and principal payments annually on December 1, until final maturity of the bonds on December 1, 2037. Annual debt service costs after the initial partial year, begin at approximately \$140,000 and decline in each subsequent year of the debt service. The bonds were issued so the City could complete the Summit Park project located on the South end of the City. As of December 31, 2019, all bond proceeds have been spent.

In addition to bonded debt, the City had State infrastructure loans payable of \$923,105 at December 31, 2019. State infrastructure loans outstanding are for two projects: the SR 169 – SR 516 to SE 264th Street project and the SR 516 – 228th Avenue to Witte Road project. The City began borrowing funds for both projects in 2005. The final borrowing was done in 2008. Final interest rate on the loans was determined in 2009. Because the City had a 15% match, it qualified for the lowest interest rate, 0.5%.

The following shows the changes in long-term liabilities and the amount due within one year.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
State Infrastructure Loan	\$ 1,107,726	\$ -	\$ 184,621	\$ 923,105	\$ 184,621
GO Bonds	5,693,199	264,957	827,336	5,130,820	815,000
Total Long-term Debt	\$ 6,800,924	\$ 264,957	\$ 1,011,957	\$ 6,053,925	\$ 999,621

Total ending long-term debt of \$5,130,820 includes the principal amount of \$4,835,000 and the unamortized premium of \$295,820. The addition is for the bond premium on the 2018 LTGO Bonds. The remaining debt service schedule to maturity for the general obligation loans and bonds is shown in the table below.

2014 LTGO Bonds				2015 Refunding LTGO Bonds			2018 LTGO Bonds		
Year	Principal	Interest	Balance	Principal	Interest	Balance	Principal	Interest	Balance
2020	\$ 165,000	\$ 15,525	\$ 510,000	\$ 500,000	\$ 20,000	\$ -	\$ 150,000	\$ 140,200	\$3,510,000
2021	165,000	11,730	345,000	-	-	-	155,000	135,700	3,355,000
2022	170,000	7,935	175,000	-	-	-	155,000	131,050	3,200,000
2023	175,000	4,025	-	-	-	-	160,000	126,400	3,040,000
2024	-	-	-	-	-	-	165,000	121,600	2,875,000
2025-2029	-	-	-	-	-	-	940,000	502,800	1,935,000
2030-2034	-	-	-	-	-	-	1,140,000	299,200	795,000
2035-2039	-	-	-	-	-	-	795,000	64,400	-
	\$ 675,000	\$ 39,215	\$ 714,215	\$ 500,000	\$ 20,000	\$ 520,000	\$3,660,000	\$ 1,521,350	\$5,181,350

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State Infrastructure Loan				State Infrastructure Loan			
0.5%				0.5%			
2005 Loan: SR 516 - Witte to 228th				2005 Loan: SR 169 - SR 516 to 264th			
Year	Principal	Interest	Balance	Principal	Interest	Balance	
2020	\$ 75,356	\$ 1,884	\$ 301,423	\$ 109,265	\$ 2,732	\$ 437,061	
2021	75,356	1,507	226,067	109,265	2,185	327,796	
2022	75,356	1,130	150,712	109,265	1,639	218,530	
2023	75,356	754	75,356	109,265	1,093	109,265	
2024	75,356	377	(0)	109,265	546	(0)	
	\$ 376,779	\$ 5,652	\$ 382,430	\$ 546,326	\$ 8,195	\$ 554,521	

Total debt service for these five debt instruments is illustrated below:

Governmental Activities			
Year	Principal	Interest	Total
2020	999,621	180,341	1,179,961
2021	504,621	151,122	655,743
2022	509,621	141,754	651,375
2023	519,621	132,271	651,892
2024	349,621	122,523	472,144
2025-2029	940,000	502,800	1,442,800
2030-2034	1,140,000	299,200	1,439,200
2035-2039	795,000	64,400	859,400
Total	\$ 5,758,105	\$ 1,594,412	\$ 7,352,516

On August 22, 2018 Standard and Poor's Rating Services affirmed the AA+ underlying rating on these bonds. Standard and Poor's views the outlook for this rating as stable.

The City's Net Pension Liability of \$1,447,991 is calculated and reported in accordance with GASB Statement No. 68 and is the City's proportionate share of the PERS Net Pension Liability measured as of June 30, 2019. The total liability consists of \$1,375,311 in governmental activities and \$72,680 in business-type activities. More information on the Net Pension Liability and its calculation is included in Note 11.

In addition to the above debt, the City has other potential long-term liabilities related to a non-cancelable operating lease for City Hall. The City's lease for City Hall expires December 31, 2022. For the year-ended December 31, 2019, the City expended \$351,220 for its office space lease up from the prior year amount of \$314,008. With respect to the City Hall lease, annual expenditures will increase at 2% a year plus or minus adjustments in the common area maintenance charges through December 31, 2022. The future minimum lease payments are as follows:

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City Hall Lease	
Year	Minimum Lease Payment
2020	\$ 348,295
2021	353,535
2022	358,879
Total	\$ 1,060,709

The above amounts assume the current level of charges for common area maintenance of \$7,194 per month.

NOTE 9 NET POSITION

The difference between fund assets and liabilities is "net position" on the government-wide and proprietary fund statements, and is "fund balance" on the governmental fund statements.

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54. As a result, are reported as non-spendable, restricted, committed, assigned, or unassigned.

- Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. This formal action is the passage of an ordinance by City Council creating, modifying, or rescinding an appropriation.
- Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. The City Council may assign fund balance by express action through an Ordinance or Resolution, or the Finance Director may with delegated authority from the City Council through a budget Ordinance.
- Unassigned fund balance is the residual amount of the general fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54. Funds are created by the City Council and money is authorized to be transferred to the fund for a particular purpose. At this point, balances in these funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved. When both restricted and unrestricted funding sources are available, the City considers the restricted revenue sources to be used first before unrestricted revenue.

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The appropriated balance in the general fund is assigned, and the remaining balance is unassigned. All other governmental funds are presented as restricted or committed. Appropriations specify the funding source, and therefore the order in which restricted, committed, assigned, or unassigned fund balance gets spent.

The General Fund's fund balance is predominantly unassigned. The exceptions are for a non-spendable amount of \$65,355 for prepaid expenses, predominately for memberships and trainings in 2020; an assignment of \$299,975 per Ordinance O-15-575 whereby City Council voted that this amount would be used to offset future declines in residential permitting revenue. The City has a policy requiring a fund balance of at least 16.67% of operating expenditures. At December 31, 2019, General Fund's assigned and unassigned fund balance was 25.92% of 2019 General Fund expenditures.

The Special Revenue Funds are restricted by State legislation which requires the segregation of resources for specific purposes. When these funds are combined and consolidated to produce the basic financial statements, the segregations are maintained by restricting the fund equities.

- Unspent Transportation Development funds are transportation impact fees and contributions from developers restricted for street capital purposes;
- Unspent Park Development funds are park impact fees, special property tax levies, and contributions from developers restricted for open space and park capital purposes;
- Unspent Real Estate Excise Tax funds are real estate excise taxes restricted for capital purposes;
- Unspent Transportation Benefit funds are vehicle excise tax fees restricted for transportation infrastructure;
- Unspent Drug Seizure funds are required by State law to be separately accounted for and used exclusively for controlled substance law enforcement, DUI enforcement, etc.; and
- Unspent funds in the Capital Improvement Plan fund are restricted for street, parks, and City facilities capital projects and a portion is committed by City Council for public art purposes.

The net position on the proprietary fund financial statements is divided into two categories:

1. Net investment in capital assets less associated debt;
 2. Restricted for the purposes designated in the establishment of the funds, but are unrestricted within the fund.
- Unspent Surface Water Management funds are to be used for surface water management operating and capital purposes.
 - Unspent Lake Wilderness Golf Course funds are to be used for golf operating and capital purposes.
 - Unspent Vehicle Rental and Central Service funds are to be used for vehicle and equipment replacement.
 - Unspent Unemployment Trust funds are to be used for unemployment compensation payments.

NOTE 10 PROPERTY TAXES

On an annual basis before December 1st, the City Council establishes the property tax levy amount for the following calendar year. The maximum allowable levy is established by increasing the highest levy of

the last three years by no more than the lesser of 1% or the rate of inflation as measured by the implicit price deflator (IPD) as of September of each year, adding the value of new construction at the prior year's levy rate, and adding any unused banked capacity created by not levying the maximum amount in previous years. At the present time the City has no unused banked capacity. Once the levy amount is determined, it is divided by the assessed value to determine a levy rate. The levy rate must be below the maximum regular property tax levy rate as established by State law, except that levies approved by the voters can exceed the maximum regular property tax levy.

For all cities in Washington, the maximum regular property tax levy rate is \$3.60 per thousand dollars of assessed value. This maximum amount is not entirely available to the City of Maple Valley as it has separate fire or library districts serving its residents. At incorporation, the citizens of Maple Valley voted to annex to both Fire District No. 43 and the King County Library District, with maximum regular property tax levy rates of \$1.50 and \$.50, respectively. For 2018, the City's maximum levy rate was \$1.60 per thousand dollars of assessed valuation (\$3.60 per thousand dollars of assessed valuation, less the fire district operating levy (\$1.50) and library district operating levy (\$.50)). As noted below though, the City only levied \$0.96 per thousand dollars of assessed valuation.

The King County Assessor establishes the property values at 100 percent of the fair market value and consolidates property tax levy rates for all overlapping taxing districts. All property is revalued on an annual basis, once every five years by a site visit; and all other years by statistical modeling. Tax rates are applied to the prior year property value including the value of new construction as of July 31st. Taxes are levied annually on January 1st and become a lien on the property on that day.

Tax bills are mailed on February 14th and are due on April 30th. Payments may be made in two equal installments by April 30th and October 31st, but if the first half is not paid by April 30th, the full amount becomes delinquent with penalties and interest being applied. Payments are made to the County Treasurer who segregates collections by taxing district for distribution to taxing districts by automated clearinghouse within a few days of receipt.

For 2019 property taxes, the City's final revised levy was \$3,939,212. The levy amount produced a City levy rate of \$0.96 per thousand dollars of assessed valuation, down from \$1.04 the previous year. Of the levy amount for 2019, only \$7,153 remained outstanding at December 31, 2019. The outstanding amounts become property liens. If not collected within seven years, the property is sold to pay the taxes. This and other property tax data is shown in the Statistical Section of the financial statements.

NOTE 11 EMPLOYEE BENEFITS

A. VACATION AND SICK LEAVE BENEFITS

Eligible employees, depending on years of service, earn up to 168 hours of vacation leave and 96 hours of sick leave annually. Vacation leave can be accumulated to a maximum of one year's accrual and used after a six-month trial service period. Sick leave can be accumulated in an unlimited amount but is only paid out at retirement with verification from the State of Washington Public Employees' Retirement System (PERS) at 25% of its value. The accrual for unpaid vacation, compensated time off, and sick leave at December 31, 2018 is \$193,222, down from the 2018 amount of \$195,246. Of the combined total \$193,322, \$25,665 is the estimated value of the sick leave liability based on the likelihood of employees retiring from PERS within the next 10 years.

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B. RETIREMENT BENEFITS

The City retirement program includes: the Medicare portion of Social Security, a 401(a) Substitute Social Security Plan, a State of Washington administered Public Employees' Retirement System (PERS), and a non-City contributory 457 plan. These retirement benefits are based on payroll dollars. The payroll dollars for the last three years are as follows:

	2019	2018	2017
Total Payroll	\$ 4,807,319	\$ 4,134,945	\$ 3,714,348
PERS Payroll	4,237,207	3,742,062	3,390,930

The total payroll exceeds the PERS payroll by the payroll for temporary employees who do not qualify for participation in PERS. The required and paid employer contributions to these retirement benefit programs for the last three years are as follows:

	2019	2018	2017
Medicare portion of Social Security			
Employer Contributions	\$ 69,706	\$ 58,834	\$ 52,845
Employee Contributions	69,706	58,834	52,845
Total Medicare contributions	139,412	117,668	105,690
Substitute Social Security Plan (401(a))			
Employer Contributions	248,930	215,018	193,147
Employee Contributions	296,801	256,367	230,290
Total 401(a) contributions	545,731	471,385	423,436
Public Employees Retirement System (PERS)			
Employer Contributions	544,278	476,903	405,289
Employee Contributions	317,179	271,561	228,648
Total PERS contributions	861,457	748,464	633,937
Total Contributions	\$ 1,546,600	\$ 1,337,517	\$ 1,163,063
Total Employer Contributions	\$ 862,914	\$ 750,756	\$ 651,282
Total Employee Contributions	683,686	586,762	511,782
Total Contributions	\$ 1,546,600	\$ 1,337,518	\$ 1,163,064

(1) 401(a) Plan

The 401(a) plan is a Social Security replacement plan that defers federal income tax on employee contributions and allows employees to choose from a number of investment options for both their contributions and the employer's contributions. The 401(a) plan is a defined contribution plan. Contributions into the plan are 5.2% of payroll for the employer and 6.2% of payroll for the employee. The plan is administered by the International City/County Management Association Retirement

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Corporation (ICMA-RC), which also administers the City's 457 plan. With some exceptions based on age, employees become vested in the employer portion of the plan at 20% per year on their hiring date anniversary.

(2) PERS Plans

The following tables represent the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2019:

Aggregate Pension Amounts - All Plans	
Net Pension Liability	\$ 1,447,991
Deferred Outflows of Resources	\$ 537,051
Deferred Inflows of Resources	\$ 817,179
Pension Expense	\$ 273,427
Reconciliation of Contributions to Pension Expense	
Annual Contributions	\$ 544,278
Adjustments to Pension Expense:	
Governmental Funds	(268,415)
Internal Service Funds	(9,003)
Enterprise Funds	6,567
Pension Expense	\$ 273,427

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1	January-June 2019		July-December 2019	
Actual Contributions Rates:	Employer	Employee	Employer	Employee
PERS Plan 1	7.89%	6.00%	7.92%	6.00%
PERS Plan 1 UAAL	4.76%		4.76%	
Administrative Fee	0.18%		0.18%	
Total	12.83%	6.00%	12.86%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit

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that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3	January-June 2019		July-December 2019	
Actual Contributions Rates:	Employer	Employee	Employer	Employee
PERS Plan 2	7.89%	7.41%	7.92%	7.90%
PERS Plan 1 UAAL	4.76%		4.76%	
Administrative Fee	0.18%		0.18%	
Employee PERS Plan 3		varies		varies
Total	12.83%	7.41%	12.86%	7.90%

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The City of Maple Valley's actual contributions to the plan for the last three years are as follows:

Plan	2019	2018	2017
PERS 2	\$ 505,444	\$ 445,223	\$ 382,411
PERS 3	38,834	31,680	22,878
Total	\$ 544,278	\$ 476,903	\$ 405,289

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018 to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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

Actuarial results that OSA provided reflect the following changes in assumptions and methods:

- An updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- The Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 Legislative Session (C151 L18). This law provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternative minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all the projected future benefit payments for current plan members.

Consistent with the current law, the asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5% with one exception not applicable to the City.) Consistent with the long-term expected rate of return, a 7.4% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided. The assumptions contain three pieces of information for each class of assets: (1) the expected annual return, (2) standard deviation of the annual return, and (3) the correlation between the annual returns of each asset class with every other asset class.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.20% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected
		Real Rate of Return Arithmetic
Fixed Income	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

Sensitivity of Net Pension Liability

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

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 1,367,440	\$ 1,091,927	\$ 852,883
PERS 2/3	2,730,870	356,064	(1,592,621)
Total	\$ 4,098,310	\$ 1,447,991	\$ (739,738)

Pension Plan Fiduciary Net Position

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

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

At December 31, 2019, the City of Maple Valley reported a total pension liability of \$1,770,654 for its proportionate share of the net pension liabilities as follows:

Plan	Net Pension Liability
PERS 1	\$ 1,091,927
PERS 2/3	356,064
Total	\$ 1,447,991

At June 30, 2019 the City of Maple Valley's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/2019	Proportionate Share 6/30/2018	Change in Proportionate Share
PERS 1	0.026592%	0.028396%	0.001804%
PERS 2/3	0.034148%	0.036657%	0.002509%

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

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the City of Maple Valley recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ 142,101
PERS 2/3	131,326
Total	\$ 273,427

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City of Maple Valley reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 102,277	\$ -
Difference between expected and actual earnings	-	(72,950)
Total	\$ 102,277	\$ (72,950)

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PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 9,118	\$ (149,393)
Contributions subsequent to the measurement date	170,175	-
Difference between expected and actual earnings	-	(518,284)
Difference between expected and actual experience	102,013	(76,552)
Changes in proportion and differences between contributions and proportionate share of contributions	153,468	-
Total	\$ 434,774	\$ (594,836)

Deferred outflows of resources related to pensions resulting from the City of Maple Valley's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1	PERS 2/3	Total Amortization
2020	(16,104)	(126,929)	(143,033)
2021	(38,146)	(237,494)	(275,640)
2022	(13,613)	(89,461)	(103,074)
2023	(5,087)	(34,530)	(39,617)
2024	-	(7,839)	(7,839)
Thereafter	-	16,624	16,624
Total	\$ (72,950)	\$ (479,630)	\$ (569,204)

C. OTHER EMPLOYEE BENEFITS

In addition to leave and retirement benefits, the City provides: a Worker's Compensation program through the Washington State Department of Labor and Industries and medical, dental, vision, group life, disability, and employee assistance programs through the Association of Washington Cities (AWC).

The City's cost for these benefit programs for the last three years is as follows:

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	2019	2018	2017
Worker's Compensation	\$ 72,224	\$ 66,884	\$ 66,546
Medical, Dental and Vision (Health)	757,014	667,034	665,435
Group Life and Long-term Disability	21,525	18,887	17,052
	\$ 850,763	\$ 752,804	\$ 749,033
Other Benefit Cost as a % of Total Payroll	18%	18%	20%

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

Participating employers are contractually required to contribute at a rate assessed each year by the Trust. The City's contribution to the Trust for the year ended December 31, 2019, was \$757,014 or 18.0% of annual covered payroll and equaled the required contributions for the year. The group life insurance program payout is equal to the employee's annual salary. The disability program is at 60% of salary after 90 days.

In 2017, the Washington State Legislature passed a new state-run insurance program. Paid Family & Medical Leave Act. The insurance program is administered by the Employment Security Department (ESD) and allows most employees to receive up to 12 weeks of paid leave when they have experienced a qualifying event such a serious illness or injury, new baby or child joining the family, or certain military-related events.

The new law required employers to begin withholding contributions beginning January 1, 2019 with reporting and submission of contributions quarterly to ESD. These contributions would build for one year before claims could be filed on them beginning January 1, 2020. The contribution rates for this program are .2532% employee and .1468% employer of the employee's gross wages, capped at the social security wage base limits each year. In 2019, the City of Maple Valley paid \$7,007 to the Paid Family and Medical Leave program. The employee portion totaled \$12,091.

D. OTHER (NON-PENSION) POST EMPLOYMENT BENEFITS

The "Trust" also provides medical benefits to certain eligible retired employees of participating employers and their eligible family members. The contribution requirements of participating retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. The City makes no contributions for these benefits. Participating employers are not contractually required to contribute an assessed rate each year by the Trust for the non-LEOFF I retirees. The retiree pays for 100% of the premium.

NOTE 12 RISK MANAGEMENT

The City of Maple Valley is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 163 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 [1]. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

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

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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.

No settlement or claim has exceeded insurance coverage in the last three years or prior to that.

In addition to insurance coverage described above through the WCIA, the City of Maple Valley is self-insured for unemployment compensation. This coverage is provided through an internal service fund, the Unemployment Trust Fund. Through 2007 charges were made to departments at the State established rates with claims paid by the State and reimbursed by the City. In 2007 and prior, contributions to the Unemployment Trust Fund always exceeded claims paid. Based on this experience, the City stopped making contributions in 2008 and in 2009 transferred \$50,000 to the General Fund.

Since 2008 the City has used the fund's fund balance and investment earnings to pay claims. The following is a brief history of claims paid, and ending net position of the fund.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Claims Paid	\$ 45,314	\$ 46,901	\$ 10,487
Net Position	\$ 2,869	\$ 2,871	\$ 56

Beginning in 2018, the City allocated additional funds each year as part of the budget process to insure adequate funding.

NOTE 13 COMMITMENTS

In the opinion of management, the City has recorded in its financial statements all known liabilities and the City's insurance coverage is adequate to pay all potential claims. The City has active construction projects as of December 31, 2019. The City's commitments with contractors are as follows:

City of Maple Valley
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Construction Commitments

Contract Name	Project No.	Contract Amount	Payments	Balance at 12/31/2019
Construction Contracts				
Conservation Technix, Inc	P24	\$ 69,525	\$ 68,369	\$ 1,156
KPG, P.S.	T44	193,996	169,116	24,880
PBS Engineering & Environmental	T44	73,615	44,644	28,971
Johansen Construction Company, Inc	T39	4,503,952	4,334,899	169,052
KBA, Inc.	T39	692,061	626,229	65,832
Active Construction, Inc.	T44	766,766	568,191	198,575
Daley Morrow Poblete, Inc.	P16	20,805	14,112	6,693
David Evans & Associates, Inc.	T39	824,245	803,525	20,720
David Evans & Associates, Inc.	T24	20,000	11,365	8,635
PBS Engineering & Environmental	T28b Ph2	241,961	170,677	71,284
Steven O. Van Patten	T27	6,000	5,640	360
PBS Engineering & Environmental	S16	108,725	68,894	39,831
Transpo Group USA, Inc.	T24	22,800	6,934	15,866
Commercial Fence Corporation	S15	184,053	138,147	45,906
Johnston Architects LLC	F03	150,000	69,317	80,683
LaBonde Land Inc	T28b Ph2	29,260	13,829	15,431
Daley Morrow Poblete, Inc.	T33c	25,000	12,708	12,293
A.B.C. Consulting Arborist LLC	P03	5,000	963	4,038
David Evans & Associates, Inc.	T36	871,188	134,708	736,480
PBS Engineering & Environmental	T45	1,223,918	167,100	1,056,818
Department of Transportation	T36	30,000	-	30,000
Department of Transportation	T45	30,000	-	30,000
Interlocal Agreements:				
King County Water & Land Resource Division - WRIA 8		1,011	1,011	-
King County Water & Land Resource Division - WRIA 9		8,043	8,043	-
Total		\$ 10,101,924	\$ 7,438,421	\$ 2,663,503

NOTE 14 ACCOUNTING CHANGE

The City implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of this standard is to improve guidance regarding identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result, the City identified a revenue source and related expenditure that no longer meets the definition of fiduciary activity. It is now being recorded as Charges for Services and Economic Environment expenditures in the Statement of Revenues, Expenses and Changes in Fund Balance and the Statement of Activities. In 2019, the revenues and the expenditures are \$1,543,247.

NOTE 15 PRIOR PERIOD ADJUSTMENT

The City has prior period adjustments to the General Fund, Public Works Centralized Services, and General Centralized Service. The prior period adjustment for General Fund decreases the net position by \$13,745. The adjustment was made to correct a duplicate 2018 year-end revenue accrual.

Public Works Centralized Services, and General Centralized Services operate as proprietary funds. Each year an adjustment is required to reduce the capital contributions by the current year's depreciation. This adjustment, in the amount of \$145,480, did not occur in 2018; therefore, a prior period adjustment was necessary. The results of the prior period adjustment are provided below. Of the \$71,264 of this adjustment relates to General Centralized Services and \$74,216 relates to Public Works Centralized Services.

	Balance at December 31, 2018, as previously reported	Prior Period Adjustments	Balance January 1, 2019 Restated
Statement of Net Position (Government-wide)			
Governmental Activities			
Net Position			
Net Investment in Capital Assets	\$ 354,866,326		\$ 354,866,326
Restricted for:			
General Capital Projects	6,428,785		6,428,785
Park Capital Projects	2,463,029		2,463,029
Street Capital Projects	4,976,030		4,976,030
Unrestricted	5,763,377		5,763,377
General Fund Adjustment, Unrestricted	-	\$ (13,745)	(13,745)
Internal Service Funds Adjustment, Unrestricted	-	145,480	145,480
Total net position, Governmental Activities	\$ 374,497,547	\$ 131,735	\$ 374,629,282

NOTE 16 SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The City is projecting a \$1.8 million loss of budgeted revenues in 2020 and has worked with Council and department heads to eliminate budgeted expenses where appropriate. The City will continue refine this process as additional information and data becomes available.

The length of time these measures will be in place, and the full extent of the financial impact on the City of Maple Valley is unknown at this time.

City of Maple Valley
Schedule of Employer's Proportionate Share of Net Pension Liability
Public Employees' Retirement System
As of June 30, 2019
Last Ten Years (Additional years will be displayed as they become available)

	2019	2018	2017	2016	2015	2014
PERS 1						
Employer's Proportion of the Net Pension Liability	0.028396%	0.026592%	0.025630%	0.024720%	0.025622%	0.025956%
Employer's Proportionate Share of the Net Pension Liability	\$ 1,091,927	\$ 1,187,608	\$ 1,216,163	\$ 1,327,580	\$ 1,340,269	\$ 1,307,546
Employer's Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ 153,748	\$ 125,818
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	872%	1039%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.12%	66.52%	61.24%	57.03%	59.10%	61.19%
PERS Plan 2/3						
Employer's Proportion of the Net Pension Liability	0.036657%	0.034148%	0.032967%	0.031244%	0.029457%	0.030008%
Employer's Proportionate Share of the Net Pension Liability	\$ 356,064	\$ 583,047	\$ 1,145,446	\$ 1,573,111	\$ 1,052,515	\$ 606,570
Employer's Covered Payroll	\$ 4,237,207	\$ 3,540,856	\$ 3,247,474	\$ 2,836,456	\$ 2,473,491	\$ 2,462,184
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	8%	16%	35%	55%	43%	25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.77%	96.88%	90.97%	85.82%	89.20%	93.29%

Notes to required schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 11.

City of Maple Valley
Schedule of Employer Contributions
Public Employees' Retirement System
As of December 31, 2019
Last Ten Years *(Additional years will be displayed as they become available)*

	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)⁽¹⁾</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
PERS 1					
2019	\$ -	\$ -	\$ -	\$ -	N/A
2018	-	-	-	-	N/A
2017	-	-	-	-	N/A
2016	-	-	-	-	N/A
2015	8,014	8,014	(0)	87,014	9.21%
2014	12,836	12,836	(0)	139,373	9.21%
PERS 2/3					
2019	\$ 544,278	\$ 544,278	\$ 0	\$ 4,237,207	12.85%
2018	\$ 480,511	\$ 476,903	\$ 3,608	\$ 3,742,062	12.74%
2017	405,289	405,289	0	3,390,930	0
2016	357,381	357,302	80	3,196,613	0
2015	270,078	270,067	11	2,633,127	0
2014	238,364	238,364	0	2,588,102	0

Notes to required schedule:

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Significant methods and assumptions used in calculating the actuarial determined contribution are presented in Note 11.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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