



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements Audit Report

# City of Maple Valley

King County

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

Published September 15, 2016

Report No. 1017007





## Washington State Auditor's Office

September 15, 2016

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,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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

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

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, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

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

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 22, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Maple Valley King County January 1, 2015 through December 31, 2015

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Maple Valley, as of December 31, 2015, 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 1 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 28 and pension plan information on pages 81 through 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 22, 2016

## FINANCIAL SECTION

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

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position  
– 2015

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

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

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
(GAAP Basis) – General Fund – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
(GAAP Basis) – Transportation Development Fund - 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
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Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
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Statement of Net Position – Proprietary Funds – 2015

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

Statement of Cash Flows – Proprietary Funds – 2015

Notes to the Financial Statements – 2015

### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Employer's Proportionate Share of Net Pension Liability – 2015

Schedule of Employer Contributions – 2015

**City of Maple Valley  
Management's Discussion and Analysis  
December 31, 2015**

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As the 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 fiscal year ended December 31, 2015. 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 assets and deferred outflows of resources of the City of Maple Valley exceeded its liabilities and deferred inflows of resources at December 31, 2015 by \$392,519,106 (*net position*). Of this amount, \$5,736,347 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. Of the rest, \$11,227,947 is restricted for specific operating and capital purposes and \$375,554,812 is net investment in capital assets.
- During 2015 the City's total net position decreased \$5,290,398. This amount includes a decrease of \$4,374,248 in the net investment in capital assets, an increase of \$228,501 in restricted net position and a decrease of \$ 1,144,652 in unrestricted net position.
- At December 31, 2015 the City of Maple Valley's governmental funds reported a combined ending fund balance of \$15,856,361 up \$1,223,615 from the prior year amount of \$14,632,746. While the City budgeted a \$4,004,844 decrease in governmental fund ending fund balance from \$14,632,746 to \$10,627,902, the governmental fund ending fund balance was \$5,228,459 better than budgeted. Governmental fund revenues were above budget by \$707,074.
- At the end of 2015 the assigned and unassigned fund balance for the General Fund was \$4,523,071, 41% of total General Fund expenditures. This amount is up \$978,302 from 2014 ending assigned and unassigned fund balance of \$3,544,769. The main reason for the increase was additional revenue associated with an increase in sales tax and utility tax revenue.
- The City of Maple Valley's total liabilities increased \$1,879,661 from \$7,763,731 in 2014 to \$9,643,392 in 2015. The increase was primarily due to the inclusion of the net pension liability in the amount of \$2,392,784 in accordance with the change in accounting principle for GASB Statement No. 68. This increase was offset by current year debt service payments and a decrease in vendor payables with fewer year-end construction projects in progress. The 2015 liabilities include \$3,805,535 in general obligation bonded debt, a reduction of \$544,465 from the 2014 amount of \$4,350,000. On April 10, 2015, 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.

**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 statements segregate activity into two categories: governmental activities and business-type activities. The governmental activities of the City of Maple Valley include: general government; community development; human services; parks and recreation; except the Lake Wilderness Golf Course, public safety; and public works, except the surface water management function. The governmental activities also include internal service funds as discussed below. The business-type activities include the surface water management function and the Lake Wilderness Golf Course.

**City of Maple Valley  
Management's Discussion and Analysis  
December 31, 2015**

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The *statement of net position* presents information on the City of Maple Valley's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Maple Valley is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the year. The *statement of activities* identifies the City's activities and the program revenues that helped fund them. The Statistical Section provides summary information on net position and changes in net position from 2006 through 2015.

**Fund financial statements.** The fund financial statements provide summary information by fund type. The City of Maple Valley, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A *fund* is a grouping of related accounts that are segregated to maintain control over resources that have been designated to finance specific activities. 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of resources*, as well as on the *balances of resources* available. Governmental funds are concerned with having available resources (i.e. "working capital" - current assets less current liabilities) to meet the expenditure needs as identified in the budget. As part of the governmental funds presentation, a comparison of actual expenditures to both the original and final budget is shown for the General Fund and all Special Revenue Funds.

**Proprietary funds.** *Proprietary funds* are used to account for operations that are designed to generate revenues to cover the total cost of operation including depreciation. The City of Maple Valley has both types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for the activity of the City's surface water management function and Lake Wilderness Golf Course. The internal service funds are used to account for the operation of the City's vehicle rental, central services, and unemployment trust functions. These internal service functions accumulate costs and charge them to operating departments. They also charge replacement and 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.

A complete reconciliation of the fund financial statements to the government-wide financial statements is included in the government-wide financial statements. The reconciliation is required:

- 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 internal service funds. By including only net revenues, the double counting of transactions between the internal service funds and the funds they provide services to is eliminated.

**City of Maple Valley  
Management's Discussion and Analysis  
December 31, 2015**

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**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.

**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 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.

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.** The statement of net position provides information on the City's assets, liabilities, and net position, and compares the balances by major category to the previous year's balances. The overall financial position of the City decreased by \$5,290,398, or 1.3%. The table that follows summarizes the 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, 2015**

**Condensed Statement of Net Position  
(Dollars expressed in thousands)**

|   | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                  | <u>Total</u>      |                   |
|---|--------------------------------|-------------------|---------------------------------|------------------|-------------------|-------------------|
|   | 2015                           | 2014              | 2015                            | 2014             | 2015              | 2014              |
| <b>Assets</b>                               |                                |                   |                                 |                  |                   |                   |
| Current Assets                              | \$ 18,078                      | \$ 16,556         | \$ 3,076                        | \$ 2,892         | \$ 21,154         | \$ 19,448         |
| Capital Assets                              | 364,851                        | 370,061           | 16,171                          | 16,064           | 381,022           | 386,125           |
| <b>Total Assets</b>                         | <b>382,929</b>                 | <b>386,618</b>    | <b>19,247</b>                   | <b>18,955</b>    | <b>402,176</b>    | <b>405,573</b>    |
| <b>Deferred Outflows of Resources</b>       |                                |                   |                                 |                  |                   |                   |
| Debt Refunding                              | 95                             | -                 | -                               | -                | 95                | -                 |
| Pensions                                    | 253                            | -                 | 10                              | -                | 263               | -                 |
| <b>Total Deferred Outflows of Resources</b> | <b>348</b>                     | <b>-</b>          | <b>10</b>                       | <b>-</b>         | <b>359</b>        | <b>-</b>          |
| <b>Liabilities</b>                          |                                |                   |                                 |                  |                   |                   |
| Current Liabilities                         | 1,684                          | 1,388             | 100                             | 179              | 1,783             | 1,568             |
| Long-term Liabilities                       | 7,769                          | 6,196             | 91                              | -                | 7,860             | 6,196             |
| <b>Total Liabilities</b>                    | <b>9,453</b>                   | <b>7,584</b>      | <b>191</b>                      | <b>179</b>       | <b>9,643</b>      | <b>7,764</b>      |
| <b>Deferred Inflows of Resources</b>        |                                |                   |                                 |                  |                   |                   |
| Pensions                                    | 357                            | -                 | 15                              | -                | 372               | -                 |
| <b>Total Deferred Inflows of Resources</b>  | <b>357</b>                     | <b>-</b>          | <b>15</b>                       | <b>-</b>         | <b>372</b>        | <b>-</b>          |
| <b>Net position</b>                         |                                |                   |                                 |                  |                   |                   |
| Net Investment in Capital Assets            | 359,384                        | 363,865           | 16,171                          | 16,064           | 375,555           | 379,929           |
| Restricted                                  | 11,228                         | 10,999            | -                               | -                | 11,228            | 10,999            |
| Unrestricted                                | 2,856                          | 4,169             | 2,881                           | 2,712            | 5,736             | 6,881             |
| <b>Total Net Position</b>                   | <b>\$ 373,467</b>              | <b>\$ 379,034</b> | <b>\$ 19,052</b>                | <b>\$ 18,776</b> | <b>\$ 392,519</b> | <b>\$ 397,810</b> |

**Current assets** at December 31, 2015 totaled \$21,154,038, up \$1,706,074 or 8.8% from the December 31, 2014 amount of \$19,447,966. The change is comprised of an increase in cash, cash equivalents, receivables, prepaid expenses and inventory, offset by a decrease in investments. Cash and cash equivalents include: petty cash and other imprest funds totaling \$20,241, the checking account balance of \$9,868,814, and \$6,748,773 invested overnight with the State of Washington Local Government Investment Pool (LGIP). In addition to the LGIP investments, at year end the City had \$2,342,553 or 11.1% of current assets invested in two individual U.S. government agency securities with maturities in 2016 through 2017. At year-end the LGIP was earning 0.24% and the other investments were earning an average 1.45%.

The remaining current asset balance at December 31, 2015 was \$2,173,657 or 10.3%. Of this amount, \$1,047,358 was for taxes receivable, \$240,555 was for accounts receivable, \$67,826 was for accrued interest receivable, \$700,160 was for intergovernmental receivables, \$60,501 was for inventory, and \$57,257 was for prepaid items.

Of the taxes receivable amount of \$1,047,358 all but \$219,375 was collected by February 29, 2016. Of that balance, \$7,539 is for gambling taxes due from Gloria's Restaurant and taxes have not been remitted to the City since first quarter of 2014; the delinquency has been reported to the gambling commission. The remaining \$211,836 is additional 2015 sales tax due to the City as of December 31, 2015 and remitted to the City in March of 2016. Of the accounts receivable amount of \$240,555, \$59,640 was for receivables from developers, \$32,705 was for a settlement receivable, \$77,561 was in surface

**City of Maple Valley  
Management's Discussion and Analysis  
December 31, 2015**

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water management fee receivables, \$48,534 due from others for items such as the joint utility trench on Witte Road and outstanding fire permits, \$20,925 represents credits or refunds receivable from outside sources in the internal service funds, and \$1,190 was a vendor credit in the Drug Seizure Fund. The receivables from developers are for billings of City staff time on various developer projects. Amounts are considered very collectible in the normal course of business as project approvals are not provided until all unpaid receivables are paid. The majority of the surface water management fee receivables, \$52,773, was due from Fire District #43 for surface water management fees from 2002 through 2014. The district has not paid these fees claiming that the City owes them an at least equivalent amount in payments in lieu of taxes for City owned facilities. The issue remains unresolved. The remaining delinquent surface water management fees are collected by King County with delinquent property taxes in the normal course of business.

Of the intergovernmental receivables amount of \$700,160; \$218,078 is due from the State of Washington, \$439,019 is due from King County, \$21,551 is due from the City of Kent, \$1,181 is due from the City of Enumclaw, and \$20,331 is due from other governments including the Cities of Covington and Black Diamond with regards to interlocal agreements. The State of Washington amount is for vehicle excise taxes, vehicle surplus proceeds, and grant reimbursements from the Transportation Improvement Board and the Washington State Traffic Safety Commission. The King County amount is for property taxes, real estate excise taxes, surface water management fees, and overbilling of the Police contract. Police contract overbilling is the normal process whereby the County bills the City monthly based on the budget. At year-end a reconciliation process to actual for salary and benefits costs is made with the reconciliation amount adjusting the first billing of the new year which usually isn't billed until late Spring.

Inventory is for food, beverages, and merchandise at the Lake Wilderness Golf Course. The prepaid amount is for printing of the recreation guide, membership with the Economic Development Council, software maintenance and support for TrakiT permitting software, and other miscellaneous expenses for 2016 that the City was required to pay prior to the end of 2015. More detailed information on receivables and other short-term assets is provided in the notes to the financial statements.

**Capital assets**, net of accumulated depreciation, totaled \$381,021,935 down \$5,103,334 from the prior year amount of \$386,125,269. 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, 2015**

**City of Maple Valley's Capital Assets  
(Net of Accumulated Depreciation)  
(Dollars expressed in thousands)**

|                               | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                  | <u>Total</u>      |                   |
|-------------------------------|--------------------------------|-------------------|---------------------------------|------------------|-------------------|-------------------|
|                               | <u>2015</u>                    | <u>2014</u>       | <u>2015</u>                     | <u>2014</u>      | <u>2015</u>       | <u>2014</u>       |
| Land                          | \$ 212,457                     | \$ 212,355        | \$ 13,899                       | \$ 13,689        | \$ 226,356        | \$ 226,044        |
| Intangibles-Easement          | 314                            | 314               | -                               | -                | 314               | 314               |
| Buildings                     | 7,996                          | 8,257             | 818                             | 846              | 8,814             | 9,103             |
| Improvements other than Bldgs | 139,792                        | 144,723           | 1,434                           | 1,506            | 141,226           | 146,229           |
| Machinery & Equipment         | 425                            | 393               | 13                              | 23               | 438               | 416               |
| Intangibles-Field Rights      | 2,000                          | -                 | -                               | -                | 2,000             | -                 |
| Intangibles-Software          | 205                            | 88                | 7                               | -                | 212               | 88                |
| Construction in Progress      | 1,662                          | 3,931             | -                               | -                | 1,662             | 3,931             |
| <b>Total Capital Assets</b>   | <b>\$ 364,851</b>              | <b>\$ 370,061</b> | <b>\$ 16,171</b>                | <b>\$ 16,064</b> | <b>\$ 381,022</b> | <b>\$ 386,125</b> |

The net decrease is made up of capital asset additions and contributions of \$3,917,548, which includes \$3,700,951 for governmental activities and \$216,597 for business-type activities, offset by the increase in accumulated depreciation of \$9,014,960, which includes depreciation of \$8,905,538 for governmental activities and \$109,422 for business-type activities. The retirements of \$35,598 were for items with accumulated depreciation of \$29,677. The City also recorded transfers and other adjustments for assets with a net book value of \$3,588,919. This was primarily for previously capitalized expenses in Construction in Progress for projects that were completed and moved to the appropriate capital asset category (land, building, infrastructure, etc).

In 2015 the City transferred \$2,000,000 from Construction in Progress to Intangibles at the completion of Phase II of the Ravensdale Park project. Through a partnership with King County, the City has commenced a multi-phase project to improve, develop, and rehabilitate Ravensdale Park and its related open space, trails, and recreation and community facilities in order to provide enhanced park and recreational facilities for public use. The City's contribution to the project was \$1,500,000 funded through General Obligation Bonds and \$500,000 from the Park Development Fund. In exchange, the City receives the right to schedule up to 1,000 prime hours at Ravensdale Park for Parks and Recreation programs each year for ten years.

The additions included developer contributions for land and improvements other than buildings of \$441,249 that were related two projects contributed to the City: Terrace at Maple Woods and 236<sup>th</sup> Ave SE. In addition to this, the City added construction in progress of \$3,319,557 for projects undertaken during the year but not yet complete at year-end. The year-end construction in progress balance of \$1,661,572 is made up of \$1,399,459 for roadway projects and \$262,113 for parks projects. Machinery and equipment additions included the purchase of an all-terrain vehicle (\$24,828) and two electric motorcycles (\$32,998) by the Police Department in the General Fund; two servers (\$15,416) to host the City's voicemail in the Central Services Fund; and a Gator utility vehicle (\$7,393), a John Deere mower (\$9,932), a Maxey dump trailer (\$5,596), a Ford F-250 (\$27,822), and a Ford Escape (\$20,232) in the Vehicle Rental Fund. Additions of intangible assets in 2015 included a concurrent user license for ArcGIS software (\$6,538) and reimplementations of the EventPro software (\$5,987) for the Parks and Recreation Department. Additional capital asset information is provided in the Note 6 to the financial statements.

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**Long-term liabilities** at December 31, 2015 totaled \$7,859,907 up \$1,663,697 from the December 31, 2014 amount of \$6,196,210. The City's portion of the net pension liability of the Public Employees Retirement System makes up \$2,392,784 or 30% of the City's long-term liabilities.

**City of Maple Valley's Long-term Liabilities (current and non-current portion)  
(Dollars expressed in thousands)**

|                                    | <u>Governmental Activities</u> |                 | <u>Business-type Activities</u> |             | <u>Total</u>    |                 |
|------------------------------------|--------------------------------|-----------------|---------------------------------|-------------|-----------------|-----------------|
|                                    | 2015                           | 2014            | 2015                            | 2014        | 2015            | 2014            |
| Contracts & Loans - Current        | \$ 185                         | \$ 185          | \$ -                            | \$ -        | \$ 185          | \$ 185          |
| General Obligation Bonds - Current | 590                            | 585             | -                               | -           | 590             | 585             |
| Contracts & Loans Payable          | 1,477                          | 1,662           | -                               | -           | 1,477           | 1,662           |
| GO Bonds Payable                   | 3,215                          | 3,765           | -                               | -           | 3,215           | 3,765           |
| <b>Total Long-term Debt</b>        | <b>5,467</b>                   | <b>6,196</b>    | <b>-</b>                        | <b>-</b>    | <b>5,467</b>    | <b>6,196</b>    |
| Net Pension Liability              | 2,302                          | -               | 91                              | -           | 2,393           | -               |
| <b>Total Long-term Liabilities</b> | <b>\$ 7,769</b>                | <b>\$ 6,196</b> | <b>\$ 91</b>                    | <b>\$ -</b> | <b>\$ 7,860</b> | <b>\$ 6,196</b> |

No contract and loan borrowing was done in 2015. During the year \$184,621 in infrastructure loan debt was retired. The infrastructure loan amounts are for two road improvement projects. The loans are for 20 years with final maturity in 2024. Both loans have interest rates of 0.5%.

On April 30, 2015 the City refunded its outstanding 2005 Limited Tax General Obligation bonds of \$2,915,000 with 2015 Limited Tax General Obligation Refunding Bonds with a principal amount of \$2,835,000 issued at a premium of \$187,980. The current portion of the 2015 refunding bonds is \$440,000 and the long-term portion including the unamortized premium is \$2,075,535 at December 31, 2015. The refunding bonds were issued with a coupon rate of 3% through 2019 and 4% in 2020. In addition to the refunded debt, the City had the 2014 general obligation bond outstanding long-term amount of \$1,140,000, and the current portion of \$150,000. The 2014 bond has an interest rate of 2.3% with payoff on December 1, 2023. More detailed information on long-term debt including issuance and redemption information and debt service to maturity can be found in the Note 8 to the financial statements.

Net position at December 31, 2015 totaled \$392,519,106, down \$5,290,398 from the December 31, 2014 amount of \$397,809,504. The largest portion of the December 31, 2015 total, \$375,554,812 or 95.68%, is net investment in capital assets. Most of this is for infrastructure assets acquired through annexation or from developer contributions either directly or through King County at various times since the City's incorporation. The second largest portion of total net position, \$11,227,947, up \$228,502 from the December 31, 2014 amount of \$10,999,445, is restricted, primarily for capital purposes. The unrestricted net position at December 31, 2015, totaled \$5,736,347 down \$1,144,652 from the December 31, 2014 amount of \$6,880,999. The change in net position is explained in the discussion of the statement of activities, which follows.

**Statement of Activities.** The statement of activities provides an overview of the changes in net position from December 31, 2014 to December 31, 2015. The condensed Statement of Activities shown in the table below identifies the changes in net position.

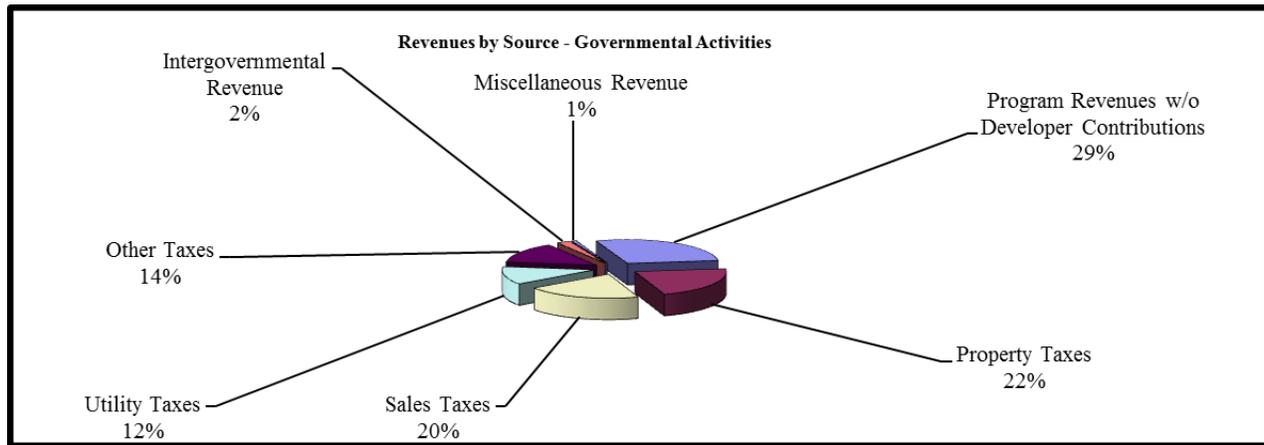
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**Condensed Statement of Activities  
(Dollars expressed in thousands)**

|  | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                  | <u>Total</u>      |                   |
|--|--------------------------------|-------------------|---------------------------------|------------------|-------------------|-------------------|
|  | 2015                           | 2014              | 2015                            | 2014             | 2015              | 2014              |
| <b>Revenues by Major Source</b>                      |                                |                   |                                 |                  |                   |                   |
| Program Revenues                                     |                                |                   |                                 |                  |                   |                   |
| Charges for Services                                 | \$ 2,743                       | \$ 2,878          | \$ 2,412                        | \$ 2,138         | \$ 5,155          | \$ 5,016          |
| Operating Grants & Contributions                     | 671                            | 717               | 50                              | -                | 721               | 717               |
| Capital Grants & Contributions                       | 1,385                          | 6,394             | 210                             | 3,756            | 1,595             | 10,150            |
| General Revenues                                     |                                |                   |                                 |                  |                   |                   |
| Property Taxes                                       | 3,579                          | 3,489             | -                               | -                | 3,579             | 3,489             |
| Sales Taxes  | 3,336                          | 3,036             | -                               | -                | 3,336             | 3,036             |
| Utility Taxes  | 1,982                          | 1,957             | -                               | -                | 1,982             | 1,957             |
| Other Taxes  | 2,319                          | 1,894             | -                               | -                | 2,319             | 1,894             |
| Intergovernmental Revenue                            | 386                            | 354               | -                               | -                | 386               | 354               |
| Miscellaneous Revenue                                | 137                            | 82                | 31                              | 13               | 169               | 96                |
| <b>Total Revenues</b>                                | <b>16,539</b>                  | <b>20,801</b>     | <b>2,703</b>                    | <b>5,907</b>     | <b>19,242</b>     | <b>26,708</b>     |
| <b>Expenses by Function</b>                          |                                |                   |                                 |                  |                   |                   |
| General Government                                   | 2,112                          | 2,262             | -                               | -                | 2,112             | 2,262             |
| Economic Environment                                 | 983                            | 1,087             | -                               | -                | 983               | 1,087             |
| Mental and Physical Health                           | 35                             | 30                | -                               | -                | 35                | 30                |
| Culture and Recreation                               | 2,467                          | 2,485             | 1,166                           | 1,059            | 3,633             | 3,544             |
| Public Safety  | 4,060                          | 4,017             | -                               | -                | 4,060             | 4,017             |
| Transportation                                       | 10,107                         | 9,668             | -                               | -                | 10,107            | 9,668             |
| Utilities and Environment                            | 104                            | 154               | 821                             | 825              | 925               | 979               |
| Interest on Long-term Debt                           | 80                             | 172               | -                               | -                | 80                | 172               |
| <b>Total Expenses</b>                                | <b>19,949</b>                  | <b>19,874</b>     | <b>1,987</b>                    | <b>1,885</b>     | <b>21,936</b>     | <b>21,759</b>     |
| <b>Excess (Deficiency) of Revenues over Expenses</b> | <b>(3,410)</b>                 | <b>927</b>        | <b>716</b>                      | <b>4,023</b>     | <b>(2,694)</b>    | <b>4,949</b>      |
| Transfers In/(Out)                                   | 341                            | 130               | (341)                           | (130)            | -                 | -                 |
| <b>Increase (Decrease) in Net Position</b>           | <b>(3,069)</b>                 | <b>1,057</b>      | <b>375</b>                      | <b>3,892</b>     | <b>(2,694)</b>    | <b>4,949</b>      |
| <b>Net Position - January 1</b>                      | <b>379,034</b>                 | <b>377,977</b>    | <b>18,776</b>                   | <b>14,884</b>    | <b>397,810</b>    | <b>392,860</b>    |
| Change in Accounting Principle                       | (2,498)                        | -                 | (99)                            | -                | (2,596)           | -                 |
| <b>Net Position - December 31</b>                    | <b>\$ 373,467</b>              | <b>\$ 379,034</b> | <b>\$ 19,052</b>                | <b>\$ 18,776</b> | <b>\$ 392,519</b> | <b>\$ 397,810</b> |

**Governmental activities.** Governmental activity revenue decreased by \$4,262,358 with the major decreases being capital grants and contributions of \$5,009,659, operating grants and contributions of \$45,691, charges for services of \$134,190, and insurance recoveries of \$8,269 offset by increases in property taxes of \$89,682, sales taxes of \$300,101, utility taxes of \$24,842, other taxes of \$424,844, intergovernmental revenue of \$32,445, investment earnings of \$56,632, and miscellaneous revenue of \$6,905. Most of the contributions are state grants providing reimbursement for the City's capital transportation projects. 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.

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**Governmental activity program revenues**, exclusive of developer contributions of \$231,190, are up \$886,599 from \$3,681,324 to \$4,567,923 due to an increase of \$1,066,479 in capital grant revenue, offset by a decrease of \$45,691 in operating grants and contracts, and a decline of \$134,189 in charges for services. Developer contributions decreased \$6,076,137 in 2015 from \$6,307,327 in 2014 to \$231,190 in 2015. This decline in developer contributions reflects slower than historical levels of development activity within the City.

**Governmental activity general revenues** are up \$927,181 or 8.6% from \$10,812,360 in 2014 to \$11,739,541 in 2015. The increases are in all of the major categories except franchise fees which decreased \$34,938 or 10.2% and make up 2.8% of the tax base. The largest sources of tax revenue increases are identified below.

- Property taxes, which provided 31.9% of the tax base, increased \$89,682 or 2.6%;
- Sales taxes, which provided 29.7% of the tax base, increased \$300,101 or 9.9%;
- Utility taxes, which provided 17.7% of the tax base, increased \$24,842 or 1.3%;
- Vehicle excise taxes, which provided 3.2% of the tax base, increased \$18,822 or 5.5%;
- Gambling taxes, which provide 0.6% of the tax base, increased 16,212 or 31.3%; and
- Real estate excise tax, which provide 14.1 % of the tax base, increased \$424,749 or 36.9%.

The property tax increase includes two components: an annual levy limit increase of 0.94% and a new construction levy at the prior year's levy rate that provided an increase of 2.01%.

Sales tax revenue also includes two components: locally generated revenue, \$2,716,910 and public safety-related revenue distributed to cities based on population, \$619,398. The locally generated revenue is from two main sources construction and non-construction retail sales. In 2015 construction sales provided 23.4% of the locally generated sales tax revenue, up from 21.2% in 2014.

Utility taxes increased \$24,842 from \$1,956,726 to \$1,981,568 due to a combination of increased utility rates and modest increases in population and the number of dwelling units.

Real estate excise tax revenue increased \$424,749 from \$1,152,583 to \$1,577,332 primarily due to an increase in the number and value of property sales in 2015 compared to 2014. Residential sales increased from 2014 to 2015, 667 homes sold in 2015 compared to 589 in 2014. The value of new

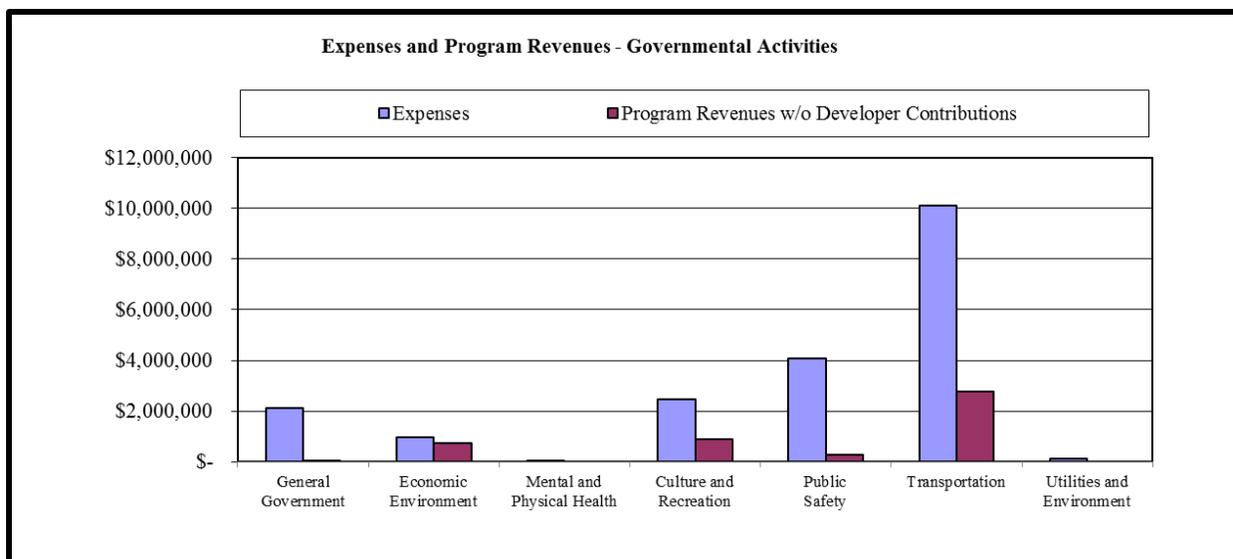
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homes increased by 11.5% during 2015, while the cost of existing homes increased by 7.4%. Overall the revenue is down substantially from the peak in 2005 of almost \$2,000,000 when 1,013 single family residential homes were sold. The real estate excise tax is 1.78% on the sale of real property, with the City receiving 0.5%.

Besides the tax category changes, the other governmental activity revenues changed as follows:

- Intergovernmental revenue increased \$32,445 or 9.2%, due to an increase in shared revenue from the State of Washington.
- Miscellaneous revenue increased \$55,266 or 67.2% with increases in investment income.

The chart below compares program expenses to program revenue.



In all programs, program expenses exceeded program revenues. In general government, program revenue from special licenses, passports and gain on sale of asset was 1.6% of program expenses. In economic environment, program revenue was 74.1% of program expenses up from 68.2%; however, the City permitted 33 single family residential units down from 169 in 2014. In culture and recreation, program revenue was 35.6% of program expenses down from 46.8% in 2014 as park impact fees collected were lower along with the decrease in permitted lots for single family units. In transportation, program revenue, without developer contributions, was 26.3% of program expenses up from 15.3% due to an increase in capital grants and contributions for transportation projects in 2015.

**Governmental activity expenses** increased \$74,230 or 0.37% from \$19,874,413 to \$19,948,643. The categories included are: 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 including: the city council, city manager, city clerk, city attorney, human resources, central services, public defender, prosecutor, court, and finance decreased \$149,494 or 6.6%. \$91,587 or 61% of this decrease is attributable to the change in accounting principle for GASB No. 68 by

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which the amount of pension expense recognized in 2015 was lower than it would have been under the previous method of recognition. An additional \$42,455 or 28% of the decrease was due to savings in IT services in 2015. The remaining \$15,452 was made up of increases in spending by the city manager, human resources, city clerk, and finance departments offset by savings by the city attorney, equipment services, and risk management.

Expenses for economic environment, commonly referred to at the City as community development, include lake management, planning, and building operations, and decreased \$103,945 or 9.6%. The decrease is primarily attributed to a decrease in the Community Development Building department of \$114,012 or 21.6% of 2014 expenditures. \$96,743 of this is a decrease in salaries and benefits due to the removal of the City's building official position and subsequent interlocal agreements with the cities of Covington and Black Diamond for development-related services costing the City of Maple Valley only \$35,094 in 2015. Internal Service charges for the building department also fell in 2015 by \$20,456 and \$13,727 for Public Works services and IT services respectively.

Mental and physical health increased by \$5,000 in 2015 due to the addition of a human services grant in that amount for the Maple Valley Food Bank to help mitigate a significant loss due to theft. Expenses of \$30,000 relate to grant payments to the Maple Valley food bank and Vine Maple Place for \$15,000 each. The food bank provides vital nutritional resources to those in need, and Vine Maple Place provides transitional housing, mentorship, child advocacy and life-skills training assistance to homeless single parents.

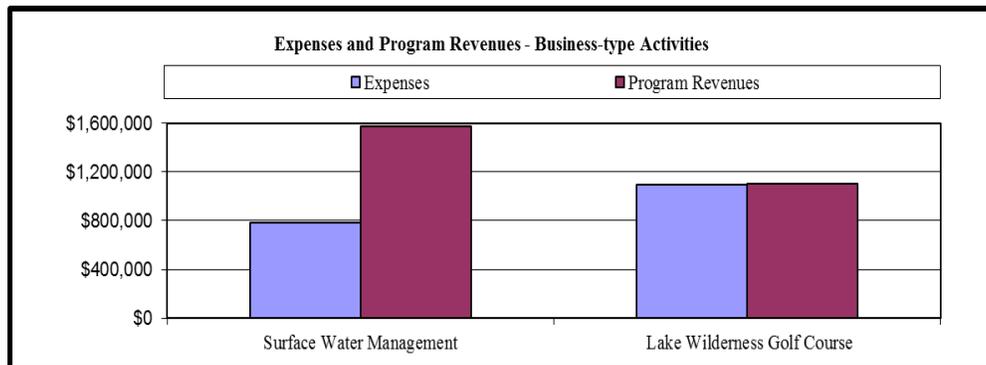
Culture and recreation expenses including: parks maintenance, the Lake Wilderness Lodge, recreation programs, community events, and funding for community service agencies, decreased \$18,221 or 0.7%. The decrease is primarily due to a decrease in spending by the Lake Wilderness Lodge department of \$42,842 or 9.4%. This savings is largely made up of a \$44,114 decrease in salaries and wages for limited part time and temporary employees of the City, a \$13,898 or 62.4% decrease in the purchase of small tools and minor equipment, a \$13,342 or 49% decrease in advertising, an \$18,705 or 60% decrease in repairs and maintenance, and a \$21,080 decrease in special event insurance. These decreases were offset by an increase of \$80,916 for contracted staff at the Lodge. Parks Maintenance utility service was also down \$9,466 or 29.9% in 2015.

Public safety expenses including: police, jail, and fire marshal, increased \$43,612 or 1.1% from 2014 to 2015. For police services, the City contracts with King County for 16 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. Police contract costs increased \$34,696 from \$3,519,912 in 2014 to \$3,554,608 in 2015, primarily due to higher workload. Other public safety increases include the capital purchase of two electric motorcycles costing \$16,500 each and an all-terrain vehicle (ATV) costing \$24,828.

Transportation, and utilities and environment expenses, commonly referred to at the City as public works, include development, transportation planning, street maintenance, and waste reduction & recycling. These expenses increased \$439,124 or 4.5% for transportation and decreased \$49,909 or 32.5% for utilities and environment. A significant portion of the increase is due to the increase in depreciation expense for projects completed in 2015 of \$354,971.

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**Business-type activities.** As of December 31, 2015 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.



In the surface water management operation charges for services increased \$65,187 or 5.2% from \$1,246,787 to \$1,311,972. The increase is made up of higher surface water management fees offset by lower site drainage inspection fees and is associated with a population increase for the surface water utility and a rate increase in 2015. Operating expenses, not including depreciation, of the surface water management operation decreased \$3,976 or 0.5% from \$786,143 to \$782,167. The decrease is due in part to a reduction of management and engineering services of \$5,732. Surface Water Management operating expenditures were under budget by \$8,243 or 1.0% in 2015.

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 been subsidized through the City each year through 2014, and broke even for the first time in 2015. The course is managed by Premier Golf Centers, LLC out of Seattle, Washington. The historic inability of the restaurant operation to break-even led to the formation of a Lake Wilderness Golf Course Task Force in late 2010. The recommendation of the task force was to increase golf fees to fund capital and to reduce the restaurant operations from a full service restaurant to one that caters only to the golfer. In 2015 the Lake Wilderness Golf Course operation had a program revenue increase of \$208,639 or 23.4% from \$891,270 to \$1,099,909, along with an operating expense increase, not including depreciation, of \$106,656 or 10.8% from \$989,099 to \$1,095,755. The significant increase in program revenue and related expenditures are due primarily to the closing of the nearby Elk Run Golf Course which resulted in historically high activity at the Lake Wilderness Golf Course in 2015. The Lake Wilderness Golf Course generated a surplus in 2015, exclusive of depreciation, in the amount of \$4,456.

**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 legal 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. Such information is useful in assessing the City of Maple Valley's financing requirements. In particular, *unassigned fund balances* serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. The General Fund is the only governmental fund with *unassigned fund balance* as other

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governmental funds have their fund balances restricted for particular purposes mainly to fund capital improvement program. The following table shows the governmental fund balance changes:

|                                | <b>Governmental Funds<br/>Fund Balances</b> |                      |                                |
|--------------------------------|---|----------------------|--------------------------------|
|                                | <b>Beginning</b>                            | <b>Ending</b>        | <b>Increase<br/>(Decrease)</b> |
| General Fund                   | \$ 3,599,941                                | \$ 4,577,015         | \$ 977,074                     |
| Transportation Impact Fee Fund | 5,486,848                                   | 5,151,298            | (335,551)                      |
| Park Development Fund          | 2,070,736                                   | 1,802,819            | (267,917)                      |
| Real Estate Excise Tax Fund    | 3,165,830                                   | 3,837,518            | 671,688                        |
| Capital Improvement Plan       | 19,025                                      | 19,025               | -                              |
| Nonmajor Governmental Funds    | 290,366                                     | 468,686              | 178,320                        |
|                                | <b>\$ 14,632,746</b>                        | <b>\$ 15,856,361</b> | <b>\$ 1,223,615</b>            |

In total the governmental fund balances increased \$1,223,615. Of the General Fund balance of \$4,577,015, \$3,405,803 or 74.4% is unassigned. Of the assigned amount of \$1,117,268, \$817,293 is assigned for the subsequent year's appropriation of fund balance and \$299,975 is assigned to offset projected declining permit revenues. Total assigned and unassigned fund balance is 40.92% of General Fund expenditures. The City's financial policies state that the fund balance of operating funds will be budgeted at least 16.7% of anticipated operating expenditures. The City interprets this policy to apply in all years in its six year forecast as discussed in the transmittal letter in the Introductory Section.

Other governmental funds accumulate restricted fund balances for designated purposes.

The Transportation Impact Fee Fund accumulates transportation impact fees and other transportation development contributions to pay for the non-City share of transportation improvement projects. Impact fees collected must be spent within a specific time period, currently extended to ten years. In 2015 transportation impact fees were less than expenditures for transportation improvement projects as fees were collected from commercial development and expenditures were combined with existing fund balance to maximize the City's matching fund capabilities from the Real Estate Excise Tax Fund for infrastructure development.

The Park Development Fund accumulates park impact fees, other park development contributions, and shared County revenue for open space and trails. Impact fees collected must be spent within a specific time period, currently extended to ten years. 2015 was the fifth year for the collection of park impact fees and park impact fees were less than expenditures for park improvement projects. Park impact fees combined with transfers from the Real Estate Excise Tax Fund and Bond Proceeds Fund were used to fund the parks related capital improvement projects for 2015.

The Real Estate Excise Tax Fund accumulates taxes on the sale of new and existing real property. The taxes provide the City share of funding for both transportation and non-transportation capital improvement projects. The Real Estate Excise Tax Fund provides the City match for funds accumulated in the Transportation Impact Fee Fund and the Park Development Fund. It is also the primary funding source for non-transportation and non-park capital projects. In 2015 real estate excise taxes increased

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\$424,749 or 36.9% from \$1,152,583 to \$1,577,332. Transfers-out for capital projects were \$943,924 in 2015.

The Drug Seizure Fund accumulates resources from seizures and impoundment of property for the enforcement of controlled substance, DUI and other applicable laws in accordance with Washington State law. Per the Revised Code of Washington, the cash and property seized must be held and used "exclusively for" such enforcement activity. Fund balance at year-end was \$32,374.

The Transportation Benefit Special Revenue fund is used to account for the receipt and transfer or disbursement of motor vehicle excise taxes collected by the City. In December of 2015 the Maple Valley City Council voted to transfer operations of the Transportation Benefit District (TBD), a blended component unit, to the City itself. The Transportation Benefit Special Revenue Fund was thus created, and the TBD Fund ceased to exist in December 2015. Fee collection for vehicle excise taxes began in the second half of 2013. Transfers of \$196,317 were made during the year from the TBD Fund and Fund balance at year-end in the Transportation Benefit Special Revenue Fund was \$436,312, up \$160,281 or 58.1% from the TBD fund balance of \$276,031 in 2014.

**Proprietary Funds.** The City of Maple Valley's *proprietary funds* are two Enterprise Funds, the Surface Water Management Fund and the Lake Wilderness Golf Course Fund, and three Internal Service Funds: the Vehicle Rental Fund, the Central Service Fund, and the Unemployment Trust Fund. The following table identifies the *net position* of the *proprietary funds*.

**Proprietary Funds  
Unrestricted Net Position**

|                                  | <u>Beginning</u>    | <u>Ending</u>       | <u>Increase<br/>(Decrease)</u> |
|----------------------------------|---------------------|---------------------|--------------------------------|
| Surface Water Management Fund    | \$ 2,712,069        | \$ 2,877,178        | \$ 165,109                     |
| Lake Wilderness Golf Course Fund | -                   | 3,579               | 3,579                          |
| Vehicle Rental Fund              | 331,516             | 391,685             | 60,169                         |
| Central Services Fund            | 319,623             | 81,106              | (238,517)                      |
| Unemployment Trust Fund          | 27,303              | 24,494              | (2,809)                        |
|                                  | <u>\$ 3,390,511</u> | <u>\$ 3,378,041</u> | <u>\$ (12,469)</u>             |

The increase in unrestricted net position of the Surface Water Management Fund is a result of increased development and connection charges in 2015. Funds were spent in 2006 through 2008 to update the surface water management comprehensive plan. Part of the update involved a review of the City's maintenance and capital plans to ensure compliance with federal and state regulations. Implementation of these plans began in 2009 with new management and maintenance emphasis. Near the end of 2011, the City hired its first full time staff position to manage this function.

The Lake Wilderness Golf Course Fund had an unrestricted net position of \$3,579 at the end of 2015. 2015 was the first year since the City purchased the golf course that the Lake Wilderness Golf Course Fund operated at a surplus. Operating revenues were significantly higher in 2015 due to the closing of the nearby Elk Run Golf Course.

The internal service funds accumulate funds for vehicle and equipment replacement and to pay unemployment claims. In 2015, the Vehicle Rental Fund increased its net position. The Vehicle Rental

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Fund assets are continuing to out-live their replacement rate as the City has only six plus square miles and excellent roads. In 2015, the Central Service Fund decreased its net position. The Central Services Fund is continuing extensive technology equipment replacement that began with the completion of an information technology strategic plan funded in 2006. The Unemployment Trust Fund reduced net position in 2015. In 2013 and 2014 the fund balance in this fund had declined at a higher than historical rate; however, the decline has slowed considerably in 2015. The City will continue to watch this fund closely during 2016 and, if needed, a transfer will be made from the General Fund to cover any claim activity above fund balance.

**General Fund Budgetary Highlights**

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 General Fund original and final budgets to the actual results for the year ended December 31, 2015.

| <b>General Fund<br/>Budget Amendments</b>    |  | <b>Original<br/>Budget</b> | <b>Budget<br/>Amendment</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>% of<br/>Budget</b> |
|--|--|----------------------------|-----------------------------|-------------------------|---------------|------------------------|
| <b>General Fund</b>                          |  | \$ 11,655,100              | \$ 121,042                  | \$ 11,776,142           | \$ 11,053,118 | 94%                    |
| General Government                           |  |                            |                             |                         |               |                        |
| Volunteer Recognition                        |  |                            | 3,840                       |                         |               |                        |
| Economic Environment (Community Development) |  |                            |                             |                         |               |                        |
| Comprehensive Plan                           |  |                            | 50,000                      |                         |               |                        |
| Human Services                               |  |                            |                             |                         |               |                        |
| Lawn mower purchase for Arboretum            |  |                            | 2,800                       |                         |               |                        |
| Culture and Recreation                       |  |                            |                             |                         |               |                        |
| Tahoma Learning Community                    |  |                            | 33,916                      |                         |               |                        |
| EventPro Upgrade                             |  |                            | 6,000                       |                         |               |                        |
| Increase Recreation Specialist to Full Time  |  |                            | 24,486                      |                         |               |                        |
|  |  |                            | <u><u>\$ 121,042</u></u>    |                         |               |                        |

General Fund amendments in 2015 consisted of \$121,042; \$50,000 of this was to fund additional consultant work on the City's comprehensive plan update, and \$33,916 of the total amendment was to fund the absorption of the Tahoma Learning Community programs into the City's recreation budget. The remaining \$37,126 was to increase funding for the volunteer recognition event, to increase the recreation specialist position to full-time, to fund an upgrade to the EventPro parks and recreation software, and to fund the purchase of a lawn mower for the Arboretum. The General Fund's actual expenditures were 94% of its budget, a reduction from 97% in 2014. The following summarizes the General Fund's budget and actual comparison.

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**General Fund  
Budget to Actual Comparison**

|                           | Final<br>Budget      | Actual               | Variance from Final Budget |             |
|---------------------------|----------------------|----------------------|----------------------------|-------------|
|                           |                      |                      | Final Budget               | Percent     |
| <b>Revenue</b>            |                      |                      |                            |             |
| Taxes                     | \$ 8,646,965         | \$ 8,914,599         | \$ 267,634                 | 103%        |
| Licenses & Permits        | 675,050              | 929,695              | 254,645                    | 138%        |
| Intergovernmental Revenue | 981,390              | 1,057,443            | 76,053                     | 108%        |
| Charges for Services      | 752,215              | 843,835              | 91,620                     | 112%        |
| Fines and Forfeitures     | 97,510               | 100,983              | 3,473                      | 104%        |
| Miscellaneous Revenue     | 412,020              | 424,169              | 12,149                     | 103%        |
|                           | <b>\$ 11,565,150</b> | <b>\$ 12,270,724</b> | <b>\$ 705,574</b>          | <b>106%</b> |
| <b>Expenditures</b>       |                      |                      |                            |             |
| <b>Current</b>            |                      |                      |                            |             |
| General Government        | \$ 2,229,490         | \$ 1,995,361         | \$ 234,129                 | 89%         |
| Community Development     | 1,151,380            | 961,406              | 189,974                    | 84%         |
| Human Services            | 235,760              | 242,047              | (6,287)                    | 103%        |
| Park & Recreation         | 2,160,042            | 1,979,690            | 180,352                    | 92%         |
| Public Safety             | 4,446,790            | 4,344,576            | 102,214                    | 98%         |
| Public Works              | 1,552,680            | 1,530,038            | 22,642                     | 99%         |
|                           | <b>\$ 11,776,142</b> | <b>\$ 11,053,118</b> | <b>\$ 723,024</b>          | <b>94%</b>  |

Actual revenues were higher than budgeted all categories in 2015. The increase in taxes is almost totally attributable to the increase in sales tax revenue which was higher than budgeted by \$216,911 or 8.68%. The City generates sales tax from both construction and non-construction activity. Sales tax from construction activity increased 21% in 2015.

Licenses and permits and charges for service were both ahead of budget as development activity increased throughout the year and ended ahead of budget. Residential and commercial permitting activity not only generates building permit revenue but also impact fee revenue.

Intergovernmental revenue was above budget with both operational grants and State shared revenue, such as liquor taxes and revenue sharing, being above budget. Fines and forfeitures were also higher than budgeted in 2015. Miscellaneous revenue was above budget due to higher than anticipated investment income and donations for community events and recreation activities, offset by lower than expected rental and concession income from the Lake Wilderness Lodge for weddings and other events.

The primary reason for actual expenditures being 94% of the final budget, a larger savings than the 97% in 2014, is the conservative nature of the City's budgeting process. The conservative nature of the City's budgeting process is a result of City policy whereby all new positions are budgeted for a full year and existing positions are frequently held vacant for a number of months while the recruitment process is ongoing.

Though not required, the City of Maple Valley prepares annual budgets for all funds. 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

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to the Capital Improvement Plan Fund where budget control is maintained. The exceptions to this general rule are the Drug Seizure, Transportation Benefit District, 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.

Capital Improvement Plan Fund budgets can be maintained on a project basis, but the City of Maple Valley establishes annual budgets by re-appropriating appropriate unspent prior year amounts. Detailed schedule of project life-to-date budget and actual information is shown with the annual budget information. A summary is provided immediately prior to the statistical section.

**Economic Factors Affecting the 2015 Budget and the Six-Year Financial Forecast**

The City's six-year financial forecast as of December 31, 2015 is included in the 2016 Final Budget and summarized in the Introductory Section of this Comprehensive Annual Financial Report. As stated there, the overall purpose of the forecast is to not over-commit the operating expenditure budget within a conservative revenue forecast based on the real inventory of developable land. The forecast is based on the historically successful model of residential development that concludes with the statement that as the new residents begin shopping locally, additional sales tax revenue is generated, eventually leading to the construction of new commercial facilities.

In the last ten years the City has permitted 1,326 single-family residential lots and at December 31, 2015 had an additional 235 lots in inventory with at least preliminary plat approval. A listing of private development activity showing remaining preliminary plat lots is shown in the Statistical Section of this report. In addition to the 235 approved lots, there remains at December 31, 2015 a large number of potentially available un-platted lots. This potential for single-family residential development is in addition to a number of undeveloped non-residential sites. This mix of inventory should provide significant development activity within the six-year financial forecast described below.

With the last step in the single family residential permitting cycle being to increase the demand for commercial development, that happened in a big way on April 14, 2011 when ground was broken for a 250,000 square foot thirteen building commercial complex. The complex will be built-out over a couple of years, but the anchor tenant, Fred Meyer opened in May 2012. In addition to this development, the City has a number of other large parcels that are prime for development. To assist in this effort the City is working with a revamped Economic Development Committee to bring a greater level of commercial expertise to the City.

With revenue opportunities identified above related to single family residential and commercial development and future annexation combined with the City's conservative budgeting policies and practices and a six-year financial forecast, funding should be available to meet the needs of a growing residential community, but the City must proceed cautiously.

Though the General Fund seems to be financially sound with diverse revenue sources and potential for growth, the Capital Improvement Plan Fund is somewhat restricted. Fewer building permits have provided less transportation and park impact fee revenue and the sluggish housing market has produced a lower level of real estate excise taxes than provided in previous years. It is expected vehicle excise tax fees will provide much needed funding for some capital improvements throughout the City. These combined revenue sources produced \$2,828,014 in 2015 from which \$668,504 in debt service was paid leaving on an annual basis only about \$2.16 million for capital improvements, not very much for a young

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and growing City. Surely the economic condition will improve in the years to come. In the meantime the City may need to settle for a smaller capital improvement program as it encourages the development of its commercial properties.

Though the 2016 budget was developed with caution and the six-year forecast does not expect significant economic growth, some modest growth in both the residential and commercial sector is forecasted. As in the past, the City will monitor the finances with monthly financial reporting and quarterly presentations to the City Council. This effort should allow the City to meet the needs of the community without undue strain on City staff or the community.

**City of Maple Valley**  
**Statement of Net Position**  
**December 31, 2015**

|   | <b>Primary Government</b>          |                                     |                       |
|---|------------------------------------|-------------------------------------|-----------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
| <b>ASSETS</b>   |                                    |                                     |                       |
| Cash and Cash Equivalents   | \$ 14,068,255                      | \$ 2,569,573                        | \$ 16,637,828         |
| Investments   | 1,980,765                          | 361,788                             | 2,342,553             |
| Receivables (net of allowance for uncollectibles):                |                                    |                                     |                       |
| Taxes   | 1,047,358                          | -                                   | 1,047,358             |
| Accounts  | 162,995                            | 77,561                              | 240,555               |
| Accrued Interest  | 67,826                             | -                                   | 67,826                |
| Intergovernmental Receivable                                      | 695,446                            | 4,714                               | 700,160               |
| Inventory   | -                                  | 60,501                              | 60,501                |
| Prepaid Items   | 55,453                             | 1,804                               | 57,257                |
| Capital Assets Not Being Depreciated:                             |                                    |                                     |                       |
| Land  | 212,457,053                        | 13,899,126                          | 226,356,179           |
| Intangibles-Easement  | 314,018                            | -                                   | 314,018               |
| Construction in Progress  | 1,661,572                          | -                                   | 1,661,572             |
| Capital Assets, Net of Accumulated Depreciation and Amortization: |                                    |                                     |                       |
| Buildings   | 7,996,243                          | 818,141                             | 8,814,384             |
| Machinery, Equipment and Vehicles                                 | 424,534                            | 13,186                              | 437,720               |
| Intangibles-Software  | 205,047                            | 6,538                               | 211,585               |
| Intangibles-Field Rights  | 2,000,000                          | -                                   | 2,000,000             |
| Infrastructure  | 139,754,054                        | -                                   | 139,754,054           |
| Other Capital Assets  | 38,340                             | 1,434,085                           | 1,472,425             |
| <b>Total Assets</b>   | <b>382,928,959</b>                 | <b>19,247,017</b>                   | <b>402,175,976</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                             |                                    |                                     |                       |
| Deferred Outflows Related to Debt Refunding                       | 95,087                             | -                                   | 95,087                |
| Deferred Outflows Related to Pensions                             | 253,107                            | 10,358                              | 263,465               |
| <b>Total Deferred Outflows of Resources</b>                       | <b>348,194</b>                     | <b>10,358</b>                       | <b>358,552</b>        |
| <b>LIABILITIES</b>  |                                    |                                     |                       |
| Accounts Payable  | 233,108                            | 48,050                              | 281,158               |
| Payroll Payable   | 121,577                            | 6,479                               | 128,056               |
| Intergovernmental Payable   | 273,663                            | 15,585                              | 289,248               |
| Deposits and Unearned Revenue                                     | 900,445                            | 28,848                              | 929,293               |
| Compensated Absences Payable                                      | 141,831                            | 981                                 | 142,812               |
| Accrued Interest Payable  | 12,918                             | -                                   | 12,918                |
| Noncurrent Liabilities:   |                                    |                                     |                       |
| Contracts & Loans - Due within one year                           | 184,621                            | -                                   | 184,621               |
| General Obligation Bonds - Due within one year                    | 590,000                            | -                                   | 590,000               |
| Contracts & Loans - Due after one year                            | 1,476,968                          | -                                   | 1,476,968             |
| General Obligation Bonds - Due after one year                     | 3,215,535                          | -                                   | 3,215,535             |
| Net Pension Liability   | 2,301,900                          | 90,884                              | 2,392,784             |
| <b>Total Liabilities</b>  | <b>9,452,566</b>                   | <b>190,826</b>                      | <b>9,643,392</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                                    |                                     |                       |
| Deferred Inflows Related to Pensions                              | 357,313                            | 14,715                              | 372,028               |
| <b>Total Deferred Inflows of Resources</b>                        | <b>357,313</b>                     | <b>14,715</b>                       | <b>372,028</b>        |
| <b>NET POSITION</b>   |                                    |                                     |                       |
| Net Investment in Capital Assets                                  | 359,383,737                        | 16,171,075                          | 375,554,812           |
| Restricted for:   |                                    |                                     |                       |
| Street Capital Projects   | 5,587,610                          | -                                   | 5,587,610             |
| Park Capital Projects   | 1,802,819                          | -                                   | 1,802,819             |
| General Capital Projects  | 3,837,518                          | -                                   | 3,837,518             |
| Unrestricted  | 2,855,590                          | 2,880,756                           | 5,736,347             |
| <b>Total Net Position</b>   | <b>\$ 373,467,274</b>              | <b>\$ 19,051,832</b>                | <b>\$ 392,519,106</b> |

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

**City of Maple Valley  
Statement of Activities  
For the Year Ended December 31, 2015**

| Functions/Programs  | Expenses          | Program Revenues        |                          |                  |
|---|-------------------|-------------------------|--------------------------|------------------|
|   |                   | Charges for Service (1) | Grants and Contributions |                  |
|   |                   |                         | Operating                | Capital          |
| <b>GOVERNMENTAL ACTIVITIES</b>                                |                   |                         |                          |                  |
| General Government  | \$ 2,112,028      | \$ 33,139               | \$ -                     | \$ -             |
| Economic Environment  | 983,045           | 728,416                 | -                        | -                |
| Mental and Physical Health                                    | 35,000            | -                       | -                        | -                |
| Culture and Recreation  | 2,466,942         | 877,404                 | -                        | -                |
| Public Safety   | 4,060,303         | 176,726                 | 95,708                   | -                |
| Transportation  | 10,107,443        | 927,679                 | 575,296                  | 1,384,745        |
| Utilities and Environment                                     | 103,682           | -                       | -                        | -                |
| Interest on Long-term Debt                                    | 80,200            | -                       | -                        | -                |
| <b>Total Governmental Activities</b>                          | <b>19,948,643</b> | <b>2,743,364</b>        | <b>671,004</b>           | <b>1,384,745</b> |
| <b>BUSINESS-TYPE ACTIVITIES</b>                               |                   |                         |                          |                  |
| Surface Water Management                                      | 821,467           | 1,311,972               | 50,000                   | 210,059          |
| Lake Wilderness Golf Course                                   | 1,165,878         | 1,099,909               | -                        | -                |
| <b>Total Business-type Activities</b>                         | <b>1,987,344</b>  | <b>2,411,881</b>        | <b>50,000</b>            | <b>210,059</b>   |
| <b>Total Primary Government</b>                               | <b>21,935,987</b> | <b>5,155,244</b>        | <b>721,004</b>           | <b>1,594,804</b> |
| <b>General Revenues</b>                                       |                   |                         |                          |                  |
| Taxes   |                   |                         |                          |                  |
| Property Taxes  |                   |                         |                          |                  |
| Sales Taxes   |                   |                         |                          |                  |
| Utility Taxes   |                   |                         |                          |                  |
| Excise Taxes in Lieu of Property Tax                          |                   |                         |                          |                  |
| Other Taxes (Real Estate Excise)                              |                   |                         |                          |                  |
| Business and Occupation (Gambling) Taxes                      |                   |                         |                          |                  |
| Franchise Fees (Taxes)  |                   |                         |                          |                  |
| Intergovernmental Revenue not restricted to specific programs |                   |                         |                          |                  |
| State Shared Revenue  |                   |                         |                          |                  |
| Miscellaneous Revenue   |                   |                         |                          |                  |
| Investment Earnings   |                   |                         |                          |                  |
| Other Miscellaneous Revenue                                   |                   |                         |                          |                  |
| <b>Transfers</b>  |                   |                         |                          |                  |
| <b>Total General Revenues and Transfers</b>                   |                   |                         |                          |                  |
| <b>Change in Net Position</b>                                 |                   |                         |                          |                  |
| <b>Net Position - Beginning</b>                               |                   |                         |                          |                  |
| Change in Accounting Principle (Note 14)                      |                   |                         |                          |                  |
| <b>Net Position - Ending</b>                                  |                   |                         |                          |                  |

(1) Includes other program revenue except grants and contributions

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

**Net (Expense) Revenue and Changes in Net Position**

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (2,078,888)                     | \$ -                                | \$ (2,078,888)        |
| (254,628)                          | -                                   | (254,628)             |
| (35,000)                           | -                                   | (35,000)              |
| (1,589,539)                        | -                                   | (1,589,539)           |
| (3,787,869)                        | -                                   | (3,787,869)           |
| (7,219,723)                        | -                                   | (7,219,723)           |
| (103,682)                          | -                                   | (103,682)             |
| (80,200)                           | -                                   | (80,200)              |
| <b>(15,149,530)</b>                | <b>-</b>                            | <b>(15,149,530)</b>   |
| -                                  | 750,564                             | 750,564               |
| -                                  | (65,969)                            | (65,969)              |
| <b>-</b>                           | <b>684,596</b>                      | <b>684,596</b>        |
| <b>(15,149,530)</b>                | <b>684,596</b>                      | <b>(14,464,935)</b>   |
| 3,579,149                          | -                                   | 3,579,149             |
| 3,336,309                          | -                                   | 3,336,309             |
| 1,981,568                          | -                                   | 1,981,568             |
| 364,041                            | -                                   | 364,041               |
| 1,577,332                          | -                                   | 1,577,332             |
| 68,085                             | -                                   | 68,085                |
| 309,123                            | -                                   | 309,123               |
| 386,439                            | -                                   | 386,439               |
| 115,482                            | 31,706                              | 147,188               |
| 22,013                             | (213)                               | 21,800                |
| 341,422                            | (341,422)                           | -                     |
| <b>12,080,963</b>                  | <b>(309,929)</b>                    | <b>11,771,034</b>     |
| <b>(3,068,568)</b>                 | <b>374,667</b>                      | <b>(2,693,901)</b>    |
| <b>379,033,535</b>                 | <b>18,775,969</b>                   | <b>397,809,504</b>    |
| (2,497,693)                        | (98,804)                            | (2,596,497)           |
| <b>\$ 373,467,274</b>              | <b>\$ 19,051,832</b>                | <b>\$ 392,519,106</b> |

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

**City of Maple Valley  
Balance Sheet  
Governmental Funds  
December 31, 2015**

|   | <b>Special Revenue</b> |                                       |                             |                                   |
|---|------------------------|---------------------------------------|-----------------------------|-----------------------------------|
|   | <b>General</b>         | <b>Transportation<br/>Development</b> | <b>Park<br/>Development</b> | <b>Real Estate<br/>Excise Tax</b> |
| <b>ASSETS</b>   |                        |                                       |                             |                                   |
| Cash and Cash Equivalents   | \$ 3,785,601           | \$ 4,586,493                          | \$ 1,580,316                | \$ 3,052,830                      |
| Investments   | 533,000                | 645,763                               | 222,503                     | 429,829                           |
| Receivables (net of<br>allowance for uncollectibles):             |                        |                                       |                             |                                   |
| Taxes   | 1,047,358              | -                                     | -                           | -                                 |
| Accounts  | 152,006                | -                                     | -                           | -                                 |
| Accrued Interest  | 67,826                 | -                                     | -                           | -                                 |
| Interfund Loan Receivable   | -                      | 162,000                               | -                           | -                                 |
| Intergovernmental Receivable                                      | 132,959                | -                                     | -                           | 354,860                           |
| Prepaid Items   | 53,944                 | -                                     | -                           | -                                 |
| <b>Total Assets</b>   | <b>\$ 5,772,694</b>    | <b>\$ 5,394,257</b>                   | <b>\$ 1,802,819</b>         | <b>\$ 3,837,518</b>               |
| <b>LIABILITIES</b>  |                        |                                       |                             |                                   |
| <b>Liabilities</b>  |                        |                                       |                             |                                   |
| Accounts Payable  | \$ 164,092             | \$ -                                  | \$ -                        | \$ -                              |
| Payroll Payable   | 111,367                | -                                     | -                           | -                                 |
| Interfund Loan Payable  | -                      | -                                     | -                           | -                                 |
| Intergovernmental Payable   | 264,243                | -                                     | -                           | -                                 |
| Deposits Payable  | 551,202                | -                                     | -                           | -                                 |
| Unearned Revenue  | 104,775                | 242,959                               | -                           | -                                 |
| <b>Total Liabilities</b>  | <b>1,195,679</b>       | <b>242,959</b>                        | <b>-</b>                    | <b>-</b>                          |
| <b>FUND BALANCES</b>  |                        |                                       |                             |                                   |
| Nonspendable:   |                        |                                       |                             |                                   |
| Prepaid Items   | 53,944                 | -                                     | -                           | -                                 |
| Restricted:   |                        |                                       |                             |                                   |
| Street Capital Projects   | -                      | 5,151,298                             | -                           | -                                 |
| Park Capital Projects   | -                      | -                                     | 1,802,819                   | -                                 |
| 1st .25% Capital Purposes   | -                      | -                                     | -                           | 2,031,718                         |
| 2nd .25% Capital Purposes   | -                      | -                                     | -                           | 1,805,800                         |
| Drug Investigations   | -                      | -                                     | -                           | -                                 |
| Transportation Infrastructure                                     | -                      | -                                     | -                           | -                                 |
| Committed:  |                        |                                       |                             |                                   |
| Public Art Purposes   | -                      | -                                     | -                           | -                                 |
| Assigned:   |                        |                                       |                             |                                   |
| Subsequent year's budget<br>appropriation of fund balance         | 817,293                | -                                     | -                           | -                                 |
| Assigned for offset of projected<br>decline in permitting revenue | 299,975                | -                                     | -                           | -                                 |
| Unassigned  | 3,405,803              | -                                     | -                           | -                                 |
| <b>Total Fund Balances</b>  | <b>4,577,015</b>       | <b>5,151,298</b>                      | <b>1,802,819</b>            | <b>3,837,518</b>                  |
| <b>Total Liabilities and Fund Balances</b>                        | <b>\$ 5,772,694</b>    | <b>\$ 5,394,257</b>                   | <b>\$ 1,802,819</b>         | <b>\$ 3,837,518</b>               |

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

| <b>Capital Projects</b>         |                             |                                 |
|---------------------------------|-----------------------------|---------------------------------|
| <b>Capital Improvement Plan</b> | <b>Total Nonmajor Funds</b> | <b>Total Governmental Funds</b> |
| \$ 58,469                       | \$ 387,397                  | \$ 13,451,107                   |
| 8,232                           | 54,544                      | 1,893,872                       |
| -                               | -                           | 1,047,358                       |
| -                               | 1,190                       | 153,196                         |
| -                               | -                           | 67,826                          |
| -                               | -                           | 162,000                         |
| 174,139                         | 27,938                      | 689,895                         |
| -                               | -                           | 53,944                          |
| <b>\$ 240,841</b>               | <b>\$ 471,069</b>           | <b>\$ 17,519,198</b>            |

|                |              |                  |
|----------------|--------------|------------------|
| \$ 58,229      | \$ 2,382     | \$ 224,704       |
| 1,404          | -            | 112,771          |
| 162,000        | -            | 162,000          |
| 183            | 1            | 264,427          |
| -              | -            | 551,202          |
| -              | -            | 347,734          |
| <b>221,816</b> | <b>2,383</b> | <b>1,662,837</b> |

|                   |                   |                      |
|-------------------|-------------------|----------------------|
| -                 | -                 | 53,944               |
| -                 | -                 | 5,151,298            |
| -                 | -                 | 1,802,819            |
| -                 | -                 | 2,031,718            |
| -                 | -                 | 1,805,800            |
| -                 | 32,374            | 32,374               |
| -                 | 436,312           | 436,312              |
| 19,025            | -                 | 19,025               |
| -                 | -                 | 817,293              |
| -                 | -                 | 299,975              |
| -                 | -                 | 3,405,803            |
| <b>19,025</b>     | <b>468,686</b>    | <b>15,856,361</b>    |
| <b>\$ 240,841</b> | <b>\$ 471,069</b> | <b>\$ 17,519,198</b> |

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

**City of Maple Valley**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2015**

**Total Governmental Fund Balances as reported on the Balance Sheet** **\$ 15,856,361**

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:

|  |                |             |
|--|----------------|-------------|
| Land                                     | \$ 212,457,052 |             |
| Intangibles-Easement                     | 314,018        |             |
| Construction in progress                 | 1,661,572      |             |
| Subtotal: Non-depreciable capital assets | 214,432,642    |             |
| Buildings                                | 10,402,376     |             |
| Leasehold Improvements                   | 76,681         |             |
| Machinery, Equipment and Vehicles        | 1,306,665      |             |
| Intangibles-Software                     | 397,944        |             |
| Intangibles-Field Rights                 | 2,000,000      |             |
| Infrastructure                           | 272,302,736    |             |
| Less: Accumulated Depreciation           | (135,875,287)  |             |
| Less: Accumulated Amortization           | (192,898)      |             |
| Subtotal: Depreciable capital assets     | 150,418,217    |             |
| Total capital assets                     |                | 364,850,859 |

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 General Obligation Bonds Payable       | (12,918)    |             |
| Compensated Absences                                       | (132,884)   |             |
| Contracts, Loans, and Bonds Payable                        | (5,467,123) |             |
| Net Pension Liability excluding the internal service funds | (2,123,796) | (7,736,721) |

Some deferred outflows and inflows of resources are not reported in the funds. (Notes 8 and 11)

|  |           |       |
|--|-----------|-------|
| Deferred Outflow on Refunding of General Obligation Bonds                  | 95,087    |       |
| Deferred Outflow Related to Pensions, excluding the internal service funds | 232,706   |       |
| Deferred Inflow Related to Pensions, excluding the internal service funds  | (328,304) | (511) |

Restricted net assets of internal service funds are included in governmental activities in the Statement of Net Position.

497,285

**Net Position of Governmental Activities as reported on the Statement of Net Position** **\$ 373,467,274**

**The notes to the 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, 2015**

|  | <u>Special Revenue</u> |                                       |                             |                                   |
|--|------------------------|---------------------------------------|-----------------------------|-----------------------------------|
|  | <u>General</u>         | <u>Transportation<br/>Development</u> | <u>Park<br/>Development</u> | <u>Real Estate<br/>Excise Tax</u> |
| <b>REVENUES</b>  |                        |                                       |                             |                                   |
| Taxes  |                        |                                       |                             |                                   |
| Property   | \$ 3,528,637           | \$ -                                  | \$ 50,512                   | \$ -                              |
| Sales  | 3,336,309              | -                                     | -                           | -                                 |
| Utility  | 1,981,568              | -                                     | -                           | -                                 |
| Business and Occupation (Gambling) Taxes                             | 68,085                 | -                                     | -                           | -                                 |
| Excise Taxes in Lieu of Property Tax                                 | -                      | -                                     | -                           | -                                 |
| Other Taxes (Real Estate Excise)                                     | -                      | -                                     | -                           | 1,577,332                         |
| Licenses & Permits   | 929,695                | -                                     | -                           | -                                 |
| Intergovernmental Revenue  | 1,057,443              | -                                     | -                           | -                                 |
| Charges for Service  | 843,835                | 627,263                               | 85,374                      | -                                 |
| Fines & Forfeitures  | 100,983                | -                                     | -                           | -                                 |
| Miscellaneous Revenue  | 424,169                | 61,833                                | 20,284                      | 38,280                            |
| <b>Total Revenues</b>  | <b>12,270,724</b>      | <b>689,096</b>                        | <b>156,170</b>              | <b>1,615,612</b>                  |
| <b>EXPENDITURES</b>  |                        |                                       |                             |                                   |
| <b>Current</b>   |                        |                                       |                             |                                   |
| General Government   | 2,272,577              | -                                     | -                           | -                                 |
| Economic Environment   | 997,054                | -                                     | -                           | -                                 |
| Mental and Physical Health   | 35,000                 | -                                     | -                           | -                                 |
| Culture and Recreation   | 2,186,737              | -                                     | -                           | -                                 |
| Public Safety  | 4,035,841              | -                                     | -                           | -                                 |
| Transportation   | 1,364,401              | -                                     | -                           | -                                 |
| Utilities and Environment  | 103,682                | -                                     | -                           | -                                 |
| <b>Capital Outlay</b>  | <b>57,826</b>          | <b>-</b>                              | <b>-</b>                    | <b>-</b>                          |
| <b>Debt Service</b>  |                        |                                       |                             |                                   |
| Principal  | -                      | -                                     | -                           | -                                 |
| Interest and Other Fees  | -                      | -                                     | -                           | -                                 |
| <b>Total Expenditures</b>  | <b>11,053,118</b>      | <b>-</b>                              | <b>-</b>                    | <b>-</b>                          |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>1,217,606</b>       | <b>689,096</b>                        | <b>156,170</b>              | <b>1,615,612</b>                  |
| <b>Other Financing Sources (Uses)</b>                                |                        |                                       |                             |                                   |
| Issuance of Refunding Bonds  | -                      | -                                     | -                           | -                                 |
| Payment to Refunding Escrow Agent                                    | -                      | -                                     | -                           | -                                 |
| Transfers In   | 61,956                 | -                                     | -                           | -                                 |
| Transfers Out  | (302,488)              | (1,024,646)                           | (424,087)                   | (943,924)                         |
| <b>Total Other Financing Sources (Uses)</b>                          | <b>(240,532)</b>       | <b>(1,024,646)</b>                    | <b>(424,087)</b>            | <b>(943,924)</b>                  |
| <b>Net Change in Fund Balances</b>                                   | <b>977,074</b>         | <b>(335,550)</b>                      | <b>(267,917)</b>            | <b>671,688</b>                    |
| <b>Fund Balances, January 1</b>                                      | <b>3,599,941</b>       | <b>5,486,848</b>                      | <b>2,070,736</b>            | <b>3,165,830</b>                  |
| <b>Fund Balances, December 31</b>                                    | <b>\$ 4,577,015</b>    | <b>\$ 5,151,298</b>                   | <b>\$ 1,802,819</b>         | <b>\$ 3,837,518</b>               |

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

| <b>Capital Projects</b>         |                             |                                 |
|---------------------------------|-----------------------------|---------------------------------|
| <b>Capital Improvement Plan</b> | <b>Total Nonmajor Funds</b> | <b>Total Governmental Funds</b> |
| \$ -                            | \$ -                        | \$ 3,579,149                    |
| -                               | -                           | 3,336,309                       |
| -                               | -                           | 1,981,568                       |
| -                               | -                           | 68,085                          |
| -                               | 364,041                     | 364,041                         |
| -                               | -                           | 1,577,332                       |
| -                               | -                           | 929,695                         |
| 1,153,555                       | -                           | 2,210,998                       |
| -                               | -                           | 1,556,472                       |
| -                               | -                           | 100,983                         |
| -                               | 31,977                      | 576,543                         |
| <b>1,153,555</b>                | <b>396,018</b>              | <b>16,281,174</b>               |
| -                               | -                           | 2,272,577                       |
| -                               | -                           | 997,054                         |
| -                               | -                           | 35,000                          |
| -                               | -                           | 2,186,737                       |
| -                               | 10,828                      | 4,046,669                       |
| 206,453                         | 10,538                      | 1,581,392                       |
| -                               | -                           | 103,682                         |
| 3,211,446                       | -                           | 3,269,273                       |
| 814,621                         | -                           | 814,621                         |
| 94,246                          | 45,435                      | 139,682                         |
| <b>4,326,767</b>                | <b>66,801</b>               | <b>15,446,685</b>               |
| <b>(3,173,212)</b>              | <b>329,217</b>              | <b>834,489</b>                  |
| -                               | 3,022,980                   | 3,022,980                       |
| -                               | (2,975,277)                 | (2,975,277)                     |
| 3,173,212                       | -                           | 3,235,167                       |
| -                               | (198,601)                   | (2,893,745)                     |
| <b>3,173,212</b>                | <b>(150,897)</b>            | <b>389,126</b>                  |
| -                               | 178,320                     | 1,223,615                       |
| <b>19,025</b>                   | <b>290,366</b>              | <b>14,632,746</b>               |
| <b>\$ 19,025</b>                | <b>\$ 468,686</b>           | <b>\$ 15,856,361</b>            |

The notes to the 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 of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2015**

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

**Net Change in Fund Balances - total Governmental Funds** **\$ 1,223,615**

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 as a contribution.

|  |         |         |
|--|---------|---------|
| Developer Contributions - Land           | 101,996 |         |
| Developer Contributions - Infrastructure | 129,194 |         |
|  |         | 231,190 |

In the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds report capital outlays as expenditures. In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay 3,269,273

|                        |                     |             |
|------------------------|---------------------|-------------|
|                        | <u>Depreciation</u> |             |
| General Government     | \$ 41,695           |             |
| Community Development  | 3                   |             |
| Culture and Recreation | 297,556             |             |
| Public Safety          | 15,514              |             |
| Transportation         | 8,550,771           |             |
|                        |                     | (8,905,539) |

In the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds recognize that the issuance of long-term debt provides current financial resources, while the repayment of principal of long-term debt consumes current financial resources. In the Statement of Activities these changes in long-term liabilities and deferred inflows of resources do not have any effect on net position.

|  |             |         |
|--|-------------|---------|
| Issuance of Refunding General Obligation Bonds | (3,022,980) |         |
| Payment to Refunding Escrow Agent              | 2,975,277   |         |
| Debt Issue Cost                                | 45,435      |         |
| Additional Proceeds                            | 2,268       |         |
| Repayment of Long-term Debt                    | 814,621     |         |
| Amortization of Bond Premium                   | 22,445      |         |
| Increase in Accrued Interest on Long-term Debt | 4,494       |         |
| Increase in Compensated Absences               | (7,484)     |         |
|  |             | 834,076 |

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

Pension 84,621

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

Amortization of Deferred Outflow on Refunding of GO Bonds (12,893)

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.

|  |         |         |
|--|---------|---------|
| Internal Service Funds - Operating Income (not including depreciation) | 183,068 |         |
| Internal Service Funds - Non-operating Income                          |         |         |
| Investment Earnings  | 9,566   |         |
| Other Interest Revenue (Expenses)                                      | 6,687   |         |
| Gain/(Loss) on Retirement of Capital Assets                            | 7,768   |         |
|  |         | 207,089 |

**Change in Net Position of Governmental Activities** **\$ (3,068,568)**

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

**City of Maple Valley**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**For the Year Ended December 31, 2015**

Page 1 of 3

|  | Budgeted Amounts     |                      | Actual               | Variance with<br>Final Budget |
|--|----------------------|----------------------|----------------------|-------------------------------|
|  | Original             | Final                |                      |                               |
| <b>REVENUES</b>                        |                      |                      |                      |                               |
| <b>Taxes</b>                           |                      |                      |                      |                               |
| Property Taxes                         | \$ 3,526,625         | \$ 3,526,625         | \$ 3,528,637         | \$ 2,012                      |
| Sales Taxes                            |                      |                      |                      |                               |
| Locally Generated                      | 2,500,000            | 2,500,000            | 2,716,911            | 216,911                       |
| .1% Criminal Justice                   | 556,510              | 556,510              | 619,398              | 62,888                        |
| Utility Taxes                          | 2,024,050            | 2,024,050            | 1,981,568            | (42,482)                      |
| Gambling Taxes                         | 39,780               | 39,780               | 68,085               | 28,305                        |
| <b>Total Taxes</b>                     | <b>8,646,965</b>     | <b>8,646,965</b>     | <b>8,914,599</b>     | <b>267,634</b>                |
| <b>Licenses &amp; Permits</b>          |                      |                      |                      |                               |
| Special Licenses                       | 960                  | 960                  | 25                   | (935)                         |
| Franchise Fees                         | 404,040              | 404,040              | 372,101              | (31,939)                      |
| Development Permits                    | 264,440              | 264,440              | 536,179              | 271,739                       |
| Business and Transient Sales Licenses  | 5,610                | 5,610                | 21,389               | 15,779                        |
| <b>Total Licenses &amp; Permits</b>    | <b>675,050</b>       | <b>675,050</b>       | <b>929,695</b>       | <b>254,645</b>                |
| <b>Intergovernmental Revenue</b>       |                      |                      |                      |                               |
| Federal and State Grants               | 62,830               | 62,830               | 48,518               | (14,312)                      |
| State Shared Revenue                   | 878,040              | 878,040              | 971,925              | 93,885                        |
| Local Grants & Entitlements            | 40,520               | 40,520               | 36,999               | (3,521)                       |
| <b>Total Intergovernmental Revenue</b> | <b>981,390</b>       | <b>981,390</b>       | <b>1,057,443</b>     | <b>76,053</b>                 |
| <b>Charges for Service</b>             |                      |                      |                      |                               |
| Development Charges                    | 345,280              | 345,280              | 369,583              | 24,303                        |
| Miscellaneous Charges                  | 345,435              | 406,935              | 474,252              | 67,317                        |
| <b>Total Charges for Service</b>       | <b>690,715</b>       | <b>752,215</b>       | <b>843,835</b>       | <b>91,620</b>                 |
| <b>Fines &amp; Forfeitures</b>         | <b>97,510</b>        | <b>97,510</b>        | <b>100,983</b>       | <b>3,473</b>                  |
| <b>Miscellaneous Revenue</b>           |                      |                      |                      |                               |
| Investment Earnings                    | 35,110               | 35,110               | 65,472               | 30,362                        |
| Rents, Leases, and Concessions         | 347,770              | 347,770              | 306,159              | (41,611)                      |
| Other Miscellaneous Revenue            | 29,140               | 29,140               | 52,538               | 23,398                        |
| <b>Total Miscellaneous Revenue</b>     | <b>412,020</b>       | <b>412,020</b>       | <b>424,169</b>       | <b>12,149</b>                 |
| <b>Total Revenues</b>                  | <b>\$ 11,503,650</b> | <b>\$ 11,565,150</b> | <b>\$ 12,270,724</b> | <b>\$ 705,574</b>             |

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

**City of Maple Valley  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)  
For the Year Ended December 31, 2015**

Page 2 of 3

|                                 | Budgeted Amounts     |                      | Actual               | Variance with<br>Final Budget |
|---------------------------------|----------------------|----------------------|----------------------|-------------------------------|
|                                 | Original             | Final                |                      |                               |
| <b>EXPENDITURES</b>             |                      |                      |                      |                               |
| <b>General Government</b>       |                      |                      |                      |                               |
| City Council                    | \$ 126,240           | \$ 130,080           | \$ 107,890           | \$ 22,190                     |
| City Manager                    | 562,630              | 562,630              | 445,850              | 116,780                       |
| Human Resources                 | 141,660              | 141,660              | 133,254              | 8,406                         |
| City Clerk                      | 570,250              | 570,250              | 522,721              | 47,529                        |
| City Attorney                   | 180,890              | 180,890              | 160,801              | 20,089                        |
| Finance                         | 643,980              | 643,980              | 624,845              | 19,135                        |
| <b>Total General Government</b> | <b>2,225,650</b>     | <b>2,229,490</b>     | <b>1,995,361</b>     | <b>234,129</b>                |
| <b>Community Development</b>    | <b>1,101,380</b>     | <b>1,151,380</b>     | <b>961,406</b>       | <b>189,974</b>                |
| <b>Human Services</b>           | <b>235,760</b>       | <b>235,760</b>       | <b>242,047</b>       | <b>(6,287)</b>                |
| <b>Parks and Recreation</b>     |                      |                      |                      |                               |
| Administration                  | 335,490              | 335,490              | 318,750              | 16,740                        |
| Parks Maintenance               | 377,170              | 377,170              | 335,904              | 41,266                        |
| Lake Wilderness Lodge           | 480,710              | 486,710              | 425,374              | 61,336                        |
| Recreation and Events           | 840,170              | 898,572              | 832,882              | 65,690                        |
| Community Service Agencies      | 59,300               | 62,100               | 66,779               | (4,679)                       |
| <b>Total Parks</b>              | <b>2,092,840</b>     | <b>2,160,042</b>     | <b>1,979,690</b>     | <b>180,352</b>                |
| <b>Public Safety</b>            |                      |                      |                      |                               |
| Police                          | 3,880,690            | 3,880,690            | 3,801,402            | 79,288                        |
| Capital                         | -                    | -                    | 57,826               | (57,826)                      |
| Jail                            | 215,730              | 215,730              | 171,560              | 44,171                        |
| Municipal Court                 | 337,060              | 337,060              | 289,951              | 47,109                        |
| Emergency Operations Center     | 13,310               | 13,310               | 23,838               | (10,528)                      |
| <b>Total Public Safety</b>      | <b>4,446,790</b>     | <b>4,446,790</b>     | <b>4,344,576</b>     | <b>102,214</b>                |
| <b>Public Works</b>             |                      |                      |                      |                               |
| Administration                  | 510,840              | 510,840              | 579,336              | (68,496)                      |
| Transportation Planning         | 65,270               | 65,270               | 20,270               | 45,000                        |
| Maintenance Division            | 265,250              | 265,250              | 377,886              | (112,636)                     |
| Street Maintenance              | 489,560              | 489,560              | 386,908              | 102,652                       |
| Waste Reduction & Recycling     | 144,010              | 144,010              | 103,682              | 40,328                        |
| Lake Management                 | 77,750               | 77,750               | 61,956               | 15,794                        |
| <b>Total Public Works</b>       | <b>1,552,680</b>     | <b>1,552,680</b>     | <b>1,530,038</b>     | <b>22,642</b>                 |
| <b>Total Expenditures</b>       | <b>\$ 11,655,100</b> | <b>\$ 11,776,142</b> | <b>\$ 11,053,118</b> | <b>\$ 723,024</b>             |

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

**City of Maple Valley**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**For the Year Ended December 31, 2015**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                     |                                       |
| <b>Revenues over (under) Expenditures</b>      | <b>\$ (151,450)</b>     | <b>\$ (210,992)</b> | <b>\$ 1,217,606</b> | <b>\$ 1,428,598</b>                   |
| <b>Other Financing Sources (Uses)</b>          |                         |                     |                     |                                       |
| Transfer in from Surface Water Management Fund | 77,750                  | 77,750              | 61,956              | (15,794)                              |
| Transfer out to Capital Improvement Plan Fund  | (343,878)               | (343,618)           | (302,488)           | 41,130                                |
| Transfer out to Lake Wilderness Golf Course    | (21,790)                | (21,790)            | -                   | 21,790                                |
| <b>Total Other Financing Sources (Uses)</b>    | <b>(287,918)</b>        | <b>(287,658)</b>    | <b>(240,532)</b>    | <b>47,126</b>                         |
| <b>Net Change in Fund Balances</b>             | <b>(439,368)</b>        | <b>(498,650)</b>    | <b>977,074</b>      | <b>1,475,724</b>                      |
| <b>Fund Balance, January 1</b>                 | <b>3,088,186</b>        | <b>3,599,941</b>    | <b>3,599,941</b>    | <b>-</b>                              |
| <b>Fund Balance, December 31</b>               | <b>\$ 2,648,818</b>     | <b>\$ 3,101,291</b> | <b>\$ 4,577,015</b> | <b>\$ 1,475,724</b>                   |

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

**City of Maple Valley**  
**Transportation Development Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**For the Year Ended December 31, 2015**

|   | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
|   | Original            | Final               |                     |                               |
| <b>REVENUES</b>                               |                     |                     |                     |                               |
| <b>Charges for Services</b>                   |                     |                     |                     |                               |
| Transportation Impact Fees                    | \$ 533,710          | \$ 533,710          | \$ 627,263          | \$ 93,553                     |
| <b>Total Charges for Services</b>             | <b>533,710</b>      | <b>533,710</b>      | <b>627,263</b>      | <b>93,553</b>                 |
| <b>Miscellaneous Revenue</b>                  |                     |                     |                     |                               |
| Investment Earnings                           | 42,880              | 42,880              | 61,833              | 18,953                        |
| <b>Total Miscellaneous Revenue</b>            | <b>42,880</b>       | <b>42,880</b>       | <b>61,833</b>       | <b>18,953</b>                 |
| <b>Total Revenues</b>                         | <b>576,590</b>      | <b>576,590</b>      | <b>689,096</b>      | <b>112,506</b>                |
| <b>Other Financing Sources (Uses)</b>         |                     |                     |                     |                               |
| Transfer out to Capital Improvement Plan Fund | (2,435,738)         | (2,528,274)         | (1,024,646)         | 1,503,628                     |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(2,435,738)</b>  | <b>(2,528,274)</b>  | <b>(1,024,646)</b>  | <b>1,503,628</b>              |
| <b>Net Change in Fund Balances</b>            | <b>(1,859,148)</b>  | <b>(1,951,684)</b>  | <b>(335,550)</b>    | <b>1,616,134</b>              |
| <b>Fund Balance, January 1</b>                | <b>5,458,625</b>    | <b>5,486,848</b>    | <b>5,486,848</b>    | <b>-</b>                      |
| <b>Fund Balance, December 31</b>              | <b>\$ 3,599,477</b> | <b>\$ 3,535,164</b> | <b>\$ 5,151,298</b> | <b>\$ 1,616,134</b>           |

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

**City of Maple Valley**  
**Park Development Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**For the Year Ended December 31, 2015**

|   | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
|   | Original            | Final               |                     |                               |
| <b>REVENUES</b>                               |                     |                     |                     |                               |
| <b>Taxes Revenue</b>                          |                     |                     |                     |                               |
| King County Open Space & Trails Levy          | \$ 45,000           | \$ 45,000           | \$ 50,512           | \$ 5,512                      |
| <b>Total Taxes Revenue</b>                    | <b>45,000</b>       | <b>45,000</b>       | <b>50,512</b>       | <b>5,512</b>                  |
| <b>Charges for Services</b>                   |                     |                     |                     |                               |
| Park Impact Fees                              | 244,760             | 244,760             | 85,374              | (159,386)                     |
| <b>Total Charges for Services</b>             | <b>244,760</b>      | <b>244,760</b>      | <b>85,374</b>       | <b>(159,386)</b>              |
| <b>Miscellaneous Revenue</b>                  |                     |                     |                     |                               |
| Investment Earnings                           | 14,560              | 14,560              | 20,284              | 5,724                         |
| <b>Total Miscellaneous Revenue</b>            | <b>14,560</b>       | <b>14,560</b>       | <b>20,284</b>       | <b>5,724</b>                  |
| <b>Total Revenues</b>                         | <b>304,320</b>      | <b>304,320</b>      | <b>156,170</b>      | <b>(148,150)</b>              |
| <b>Other Financing Sources (Uses)</b>         |                     |                     |                     |                               |
| Transfer out to Capital Improvement Plan Fund | (546,918)           | (775,868)           | (424,087)           | 351,781                       |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(546,918)</b>    | <b>(775,868)</b>    | <b>(424,087)</b>    | <b>351,781</b>                |
| <b>Net Change in Fund Balances</b>            | <b>(242,598)</b>    | <b>(471,548)</b>    | <b>(267,917)</b>    | <b>203,631</b>                |
| <b>Fund Balance, January 1</b>                | <b>1,739,136</b>    | <b>2,070,736</b>    | <b>2,070,736</b>    | <b>-</b>                      |
| <b>Fund Balance, December 31</b>              | <b>\$ 1,496,538</b> | <b>\$ 1,599,188</b> | <b>\$ 1,802,819</b> | <b>\$ 203,631</b>             |

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

**City of Maple Valley**  
**Real Estate Excise Tax Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)**  
**For the Year Ended December 31, 2015**

|   | <b>Budgeted Amounts</b> |                     | <b>Actual</b>       | <b>Variance with<br/>Final Budget</b> |
|---|-------------------------|---------------------|---------------------|---------------------------------------|
|   | <b>Original</b>         | <b>Final</b>        |                     |                                       |
| <b>REVENUES</b>                               |                         |                     |                     |                                       |
| <b>Taxes</b>                                  |                         |                     |                     |                                       |
| Real Estate Excise Tax                        | \$ 1,000,000            | \$ 1,000,000        | \$ 1,577,332        | \$ 577,332                            |
| <b>Total Taxes</b>                            | <b>1,000,000</b>        | <b>1,000,000</b>    | <b>1,577,332</b>    | <b>577,332</b>                        |
| <b>Miscellaneous Revenue</b>                  |                         |                     |                     |                                       |
| Investment Earnings                           | 18,460                  | 18,460              | 38,280              | 19,820                                |
| <b>Total Miscellaneous Revenue</b>            | <b>18,460</b>           | <b>18,460</b>       | <b>38,280</b>       | <b>19,820</b>                         |
| <b>Total Revenues</b>                         | <b>1,018,460</b>        | <b>1,018,460</b>    | <b>1,615,612</b>    | <b>597,152</b>                        |
| <b>Other Financing Sources (Uses)</b>         |                         |                     |                     |                                       |
| Transfer out to Capital Improvement Plan Fund | (1,412,894)             | (1,757,351)         | (943,924)           | 813,427                               |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(1,412,894)</b>      | <b>(1,757,351)</b>  | <b>(943,924)</b>    | <b>813,427</b>                        |
| <b>Net Change in Fund Balances</b>            | <b>(394,434)</b>        | <b>(738,891)</b>    | <b>671,688</b>      | <b>1,410,579</b>                      |
| <b>Fund Balance, January 1</b>                | <b>2,502,320</b>        | <b>3,165,830</b>    | <b>3,165,830</b>    | <b>-</b>                              |
| <b>Fund Balance, December 31</b>              | <b>\$ 2,107,886</b>     | <b>\$ 2,426,939</b> | <b>\$ 3,837,518</b> | <b>\$ 1,410,579</b>                   |

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

**City of Maple Valley  
Statement of Net Position  
Proprietary Funds  
December 31, 2015**

|   | <b>Business-type Activities</b>     |  |                                       | <b>Governmental<br/>Activities</b>    |
|---|-------------------------------------|--|---------------------------------------|---------------------------------------|
|   | <b>Surface Water<br/>Management</b> | <b>Lake Wilderness<br/>Golf Course</b> | <b>Total<br/>Enterprise<br/>Funds</b> | <b>Internal<br/>Service<br/>Funds</b> |
| <b>ASSETS</b>                               |                                     |  |                                       |                                       |
| <b>Current Assets:</b>                      |                                     |  |                                       |                                       |
| Cash and Cash Equivalents                   | \$ 2,561,161                        | \$ 8,412                               | \$ 2,569,573                          | \$ 617,148                            |
| Investments                                 | 360,603                             | 1,184                                  | 361,788                               | 86,892                                |
| Receivables (net of uncollectibles)         |                                     |  |                                       |                                       |
| Customer Accounts                           | 77,560                              | -                                      | 77,561                                | -                                     |
| Due from Other Governments                  | 4,714                               | -                                      | 4,714                                 | 5,551                                 |
| Due from Others                             | -                                   | -                                      | -                                     | 20,925                                |
| Inventory                                   | -                                   | 60,501                                 | 60,501                                | -                                     |
| Prepaid Items                               | 1,804                               | -                                      | 1,804                                 | 25,751                                |
| <b>Total Current Assets</b>                 | <b>3,005,843</b>                    | <b>70,098</b>                          | <b>3,075,941</b>                      | <b>756,267</b>                        |
| <b>Noncurrent Assets:</b>                   |                                     |  |                                       |                                       |
| Capital Assets:                             |                                     |  |                                       |                                       |
| Land  | 11,618,908                          | 2,280,218                              | 13,899,126                            | -                                     |
| Buildings                                   | 18,245                              | 1,040,000                              | 1,058,245                             | -                                     |
| Machinery, Equipment and Vehicles           | -                                   | 234,822                                | 234,822                               | 1,069,801                             |
| Intangibles-Software                        | 6,538                               | -                                      | 6,538                                 | 397,944                               |
| Other Capital Assets                        | 1,128,379                           | 1,013,977                              | 2,142,356                             | -                                     |
| Less: Accumulated Depreciation              | (410,007)                           | (760,005)                              | (1,170,012)                           | (743,088)                             |
| Less: Accumulated Amortization              | -                                   | -                                      | -                                     | (192,898)                             |
| <b>Total Noncurrent Assets</b>              | <b>12,362,063</b>                   | <b>3,809,012</b>                       | <b>16,171,075</b>                     | <b>531,759</b>                        |
| <b>Total Assets</b>                         | <b>15,367,905</b>                   | <b>3,879,110</b>                       | <b>19,247,016</b>                     | <b>1,288,025</b>                      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                                     |  |                                       |                                       |
| Deferred Outflows Related to Pensions       | 10,265                              | 92                                     | 10,358                                | 20,401                                |
| <b>Total Deferred Outflows of Resources</b> | <b>10,265</b>                       | <b>92</b>                              | <b>10,358</b>                         | <b>20,401</b>                         |
| <b>LIABILITIES</b>                          |                                     |  |                                       |                                       |
| <b>Current Liabilities:</b>                 |                                     |  |                                       |                                       |
| Accounts Payable                            | 13,325                              | 34,725                                 | 48,050                                | 19,530                                |
| Payroll Payable                             | 6,479                               | -                                      | 6,479                                 | 8,805                                 |
| Due to Other Governments                    | 13,485                              | 2,100                                  | 15,585                                | 9,236                                 |
| Deposits and Deferred Revenue               | -                                   | 28,848                                 | 28,848                                | -                                     |
| Compensated Absences Payable                | 981                                 | -                                      | 981                                   | 8,947                                 |
| Unearned Revenue                            | -                                   | -                                      | -                                     | 25,751                                |
| <b>Total Current Liabilities</b>            | <b>34,269</b>                       | <b>65,673</b>                          | <b>99,942</b>                         | <b>72,269</b>                         |
| <b>Noncurrent Liabilities</b>               |                                     |  |                                       |                                       |
| Net Pension Liability                       | 90,077                              | 807                                    | 90,884                                | 178,104                               |
| <b>Total Noncurrent Liabilities</b>         | <b>90,077</b>                       | <b>807</b>                             | <b>90,884</b>                         | <b>178,104</b>                        |
| <b>Total Liabilities</b>                    | <b>124,346</b>                      | <b>66,480</b>                          | <b>190,826</b>                        | <b>250,373</b>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                                     |  |                                       |                                       |
| Deferred Inflows Related to Pensions        | 14,584                              | 131                                    | 14,715                                | 29,009                                |
| <b>Total Deferred Inflows of Resources</b>  | <b>14,584</b>                       | <b>131</b>                             | <b>14,715</b>                         | <b>29,009</b>                         |
| <b>NET POSITION</b>                         |                                     |  |                                       |                                       |
| Net Investment in Capital Assets            | 12,362,063                          | 3,809,012                              | 16,171,075                            | 531,759                               |
| Unrestricted                                | 2,877,178                           | 3,579                                  | 2,880,756                             | 497,285                               |
| <b>Total Net Position</b>                   | <b>\$ 15,239,241</b>                | <b>\$ 3,812,591</b>                    | <b>\$ 19,051,832</b>                  | <b>\$ 1,029,044</b>                   |

The notes to the 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, 2015**

|  | Business-type Activities    |                                |                              | Governmental                 |
|--|-----------------------------|--------------------------------|------------------------------|------------------------------|
|  | Surface Water<br>Management | Lake Wilderness<br>Golf Course | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |
| <b>Operating Revenues</b>                        |                             |                                |                              |                              |
| Charges for Service                              |                             |                                |                              |                              |
| Surface Water Management Fees                    | \$ 1,309,372                | \$ -                           | \$ 1,309,372                 | \$ -                         |
| Golf Operations                                  | -                           | 800,313                        | 800,313                      | -                            |
| Restaurant Operations                            | -                           | 299,596                        | 299,596                      | -                            |
| Other Services                                   | 2,600                       | -                              | 2,600                        | 1,314,199                    |
| <b>Total Operating Revenues</b>                  | <b>1,311,972</b>            | <b>1,099,909</b>               | <b>2,411,881</b>             | <b>1,314,199</b>             |
| <b>Operating Expenses</b>                        |                             |                                |                              |                              |
| Cost of Services                                 | 782,167                     | 1,095,755                      | 1,877,923                    | 1,131,131                    |
| Depreciation                                     | 39,299                      | 70,122                         | 109,422                      | 112,356                      |
| <b>Total Operating Expenses</b>                  | <b>821,467</b>              | <b>1,165,878</b>               | <b>1,987,344</b>             | <b>1,243,487</b>             |
| <b>Operating Income</b>                          | <b>490,505</b>              | <b>(65,969)</b>                | <b>424,536</b>               | <b>70,712</b>                |
| <b>Nonoperating Revenue (Expense)</b>            |                             |                                |                              |                              |
| Intergovernmental Revenue                        | 50,000                      | -                              | 50,000                       | -                            |
| Investment Earnings (Expense)                    | 31,191                      | 516                            | 31,706                       | 9,566                        |
| Other Nonoperating Revenue (Expenses)            | -                           | (213)                          | (213)                        | 6,687                        |
| Gain (Loss) on Retirement of Capital Assets      | -                           | -                              | -                            | 7,768                        |
| <b>Total Nonoperating Revenue (Expense)</b>      | <b>81,191</b>               | <b>303</b>                     | <b>81,493</b>                | <b>24,021</b>                |
| <b>Income before Contributions and Transfers</b> | <b>571,696</b>              | <b>(65,666)</b>                | <b>506,030</b>               | <b>94,733</b>                |
| <b>Contributions and Transfers</b>               |                             |                                |                              |                              |
| Capital Contributions from Developers            | 210,059                     | -                              | 210,059                      | -                            |
| Transfers in (out)                               | (341,421)                   | -                              | (341,421)                    | -                            |
| <b>Total Contributions and Transfers</b>         | <b>(131,362)</b>            | <b>-</b>                       | <b>(131,362)</b>             | <b>-</b>                     |
| <b>Change in Net Position</b>                    | <b>440,334</b>              | <b>(65,666)</b>                | <b>374,668</b>               | <b>94,733</b>                |
| <b>Total Net Position - January 1</b>            | <b>14,896,834</b>           | <b>3,879,135</b>               | <b>18,775,969</b>            | <b>1,127,990</b>             |
| Change in Accounting Principle - GASB 68         | (97,926)                    | (878)                          | (98,804)                     | (193,679)                    |
| <b>Total Net Position - December 31</b>          | <b>\$ 15,239,241</b>        | <b>\$ 3,812,591</b>            | <b>\$ 19,051,833</b>         | <b>\$ 1,029,044</b>          |

The notes to the 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, 2015**

|   | <u>Business-type Activities</u> |                        |                     | <u>Governmental</u> |
|---|---------------------------------|------------------------|---------------------|---------------------|
|   | <u>Surface Water</u>            | <u>Lake Wilderness</u> | <u>Total</u>        | <u>Internal</u>     |
|   | <u>Management</u>               | <u>Golf Course</u>     | <u>Enterprise</u>   | <u>Service</u>      |
|   |                                 |                        | <u>Funds</u>        | <u>Funds</u>        |
| <b>Cash Flows from Operating Activities</b>                     |                                 |                        |                     |                     |
| Cash Received from Customers                                    | \$ 1,308,911                    | \$ 1,096,379           | \$ 2,405,290        | \$ 1,307,263        |
| Cash Paid to Suppliers for Goods and Services                   | (839,771)                       | (1,121,450)            | (1,961,220)         | (1,148,009)         |
| <b>Net Cash Flows from Operating Activities</b>                 | <b>469,140</b>                  | <b>(25,070)</b>        | <b>444,070</b>      | <b>159,254</b>      |
| <b>Cash Flows from Non-Capital Financing Activities</b>         |                                 |                        |                     |                     |
| Intergovernmental Revenue                                       | 50,000                          | -                      | 50,000              | -                   |
| Transfers to Other Funds  | (341,421)                       | -                      | (341,421)           | -                   |
| <b>Net Cash Flows from Non-Capital Financing Acti</b>           | <b>(291,421)</b>                | <b>-</b>               | <b>(291,421)</b>    | <b>-</b>            |
| <b>Cash Flows from Capital and Related Financing Activities</b> |                                 |                        |                     |                     |
| Capital Assets Purchased for Own Use                            | (6,538)                         | -                      | (6,538)             | (200,488)           |
| Proceeds from the Sale of Capital Assets                        | -                               | -                      | -                   | 13,689              |
| Other Miscellaneous Capital Related Activities                  | -                               | -                      | -                   | 6,687               |
| <b>Net Cash Flows from Capital and Related</b>                  | <b>(6,538)</b>                  | <b>-</b>               | <b>(6,538)</b>      | <b>(180,112)</b>    |
| <b>Cash Flows from Investing Activities</b>                     |                                 |                        |                     |                     |
| Purchase of Investments   | -                               | -                      | -                   | 119,828             |
| Proceeds from Investment Maturities                             | 449,578                         | 9,054                  | 458,632             | 6,397               |
| Interest on Investments   | 31,190                          | 303                    | 31,492              | 9,566               |
| <b>Net Cash Flows from Investing Activities</b>                 | <b>480,768</b>                  | <b>9,356</b>           | <b>490,124</b>      | <b>135,791</b>      |
| <b>Net Change in Cash and Cash Equivalents</b>                  | <b>651,949</b>                  | <b>(15,714)</b>        | <b>636,235</b>      | <b>114,933</b>      |
| <b>Cash and Cash Equivalents, January 1</b>                     | <b>1,909,212</b>                | <b>24,126</b>          | <b>1,933,338</b>    | <b>502,215</b>      |
| <b>Cash and Cash Equivalents, December 31</b>                   | <b>\$ 2,561,161</b>             | <b>\$ 8,412</b>        | <b>\$ 2,569,573</b> | <b>\$ 617,147</b>   |

The notes to the 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, 2015**

|   | <u>Business-type Activities</u> |                           |                          | <u>Governmental</u>      |
|---|---------------------------------|---------------------------|--------------------------|--------------------------|
|   | <u>Surface Water</u>            | <u>Lake Wilderness</u>    | <u>Total</u>             | <u>Internal</u>          |
|   | <u>Management</u>               | <u>Golf Course</u>        | <u>Enterprise</u>        | <u>Service</u>           |
|   |                                 |                           | <u>Funds</u>             | <u>Funds</u>             |
| <b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities</b> |                                 |                           |                          |                          |
| Operating Income  | \$ 490,505                      | \$ (65,969)               | \$ 424,536               | \$ 70,712                |
| Adjustments to Reconcile Operating Income to Net Cash Provided:                                   |                                 |                           |                          |                          |
| Depreciation Expense  | 39,299                          | 70,122                    | 109,422                  | 112,356                  |
| Change in Receivables (net of uncollectibles)   | 2,401                           | -                         | 2,401                    | (26,476)                 |
| Change in Due from Other Governments  | (4,484)                         | -                         | (4,484)                  | -                        |
| Change in Inventory   | -                               | (3,711)                   | (3,711)                  | -                        |
| Change in Prepaid Items   | (978)                           | -                         | (978)                    | (24,067)                 |
| Change in Accounts Payable  | (13,546)                        | (24,419)                  | (37,965)                 | (2,355)                  |
| Change in Payroll Payable   | 2,966                           | -                         | 2,966                    | (1,943)                  |
| Change in Due to Other Governments  | (43,630)                        | (1,244)                   | (44,874)                 | 9,228                    |
| Change in Contracts Payable   | -                               | -                         | -                        | 3,015                    |
| Changes in Deposits and Deferred Revenue  | -                               | 181                       | 181                      | -                        |
| Changes in Compensated Absences Payable   | 138                             | -                         | 138                      | -                        |
| Change in Unearned Revenue  | -                               | -                         | -                        | 25,751                   |
| Change in Net Pension Liability   | 19,028                          | 172                       | 19,200                   | 37,926                   |
| Changed in Deferred Outflows of Resources   | (5,548)                         | (50)                      | (5,598)                  | (11,060)                 |
| Changed in Deferred Inflows of Resources  | (17,011)                        | (153)                     | (17,164)                 | (33,832)                 |
| <b>Net Cash Flows from Operating Activities</b>   | <b><u>\$ 469,140</u></b>        | <b><u>\$ (25,070)</u></b> | <b><u>\$ 444,070</u></b> | <b><u>\$ 159,254</u></b> |
| <b>Non Cash Investing, Capital and Financing Activities</b>                                       |                                 |                           |                          |                          |
| Capital Contributions from Developers   | \$ 210,059                      | \$ -                      | \$ 210,059               | \$ -                     |
| <b>Total Non Cash Investing, Capital and Financing</b>  | <b><u>\$ 210,059</u></b>        | <b><u>\$ -</u></b>        | <b><u>\$ 210,059</u></b> | <b><u>\$ -</u></b>       |

The notes to the 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.

The Maple Valley Transportation Benefit District was formed by the City Council on November 26, 2012. The purpose of the District is to fund the maintenance, improvement and preservation of existing transportation facilities. The City of Maple Valley Council appointed itself to act as the seven-member governance board of the District. On December 20, 2015 the Maple Valley City Council voted to transfer the operations of the Transportation Benefit District to the City. The District is funded by a \$20 excise tax on all vehicles registered within the City of Maple Valley. Under contract with the Washington State Department of Licensing, the vehicle excise taxes began collection in July 2013. Separately issued financial statements through the year ended December 31, 2015 are available from the City of Maple Valley Finance Director. Separate financial statements for the Transportation Benefit District will not be issued for future years.

### **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*, the 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB No. 68*, the last statement that has a 2015 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 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 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 financial statement's 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.

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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 District Fund** – to account for the receipt and disbursement and/or transfer of vehicle excise taxes collected by the Maple Valley Transportation Benefit District (TBD), a blended component unit of the City. The operations of the TBD were transferred to the City in December 2015 at which time the TBD ceased to exist;
- **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 Premier Golf Centers LLC to manage the facility through December 31, 2016.

**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 Rental 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 balance 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. The budget is adopted on the basis of accounting consistent with generally accepted accounting principles for each fund type.

The City of Maple Valley does not use encumbrance accounting. 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 only typically for capital projects. Proprietary funds require budgetary control at the revenue over (under) expenditure level, including transfers in from other funds and excluding depreciation. In 2015, the Lake Wilderness Golf Course fund exceeded the \$982,480 adopted budget by \$187,445. Due to the closure of the Elk Run Golf Course, Lake Wilderness Golf Course had an increase in revenue and expenditures related to staffing and maintenance.

State law requires that the City adopt its annual budget by December 31<sup>st</sup> of the preceding fiscal year. The first step in the budget process is the identification by the Council of its priorities for the following year. 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 year 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 year. An additional budget ordinance adopted in February or March 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 monthly financial reports and reviews them with the City 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)

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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 established the LGIP Advisory Committee to provide advice on the pool's operation. 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.

The LGIP is considered to be an extremely low risk investment. The pool is unrated by financial rating agencies. It 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.

*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.

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*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.

The following summarizes the City’s cash and investment activity at December 31, 2015.

|  | <b>Beginning<br/>Balance</b> | <b>Receipts and<br/>Investments<br/>Purchased</b> | <b>Disbursements<br/>and Investments<br/>Sold</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|---|---|---------------------------|
| <b>Cash &amp; Cash Equivalents</b>       |                              |   |   |                           |
| Petty Cash                               | \$ 18,280                    | \$ 2,000  | \$ 39   | \$ 20,241                 |
| Demand Deposits                          | 3,469,050                    | 32,657,780  | 26,258,016  | 9,868,814                 |
| Investments (LGIP)                       | 9,171,434                    | 4,577,339   | 7,000,000   | 6,748,773                 |
| <b>Total Cash &amp; Cash Equivalents</b> | <b>\$ 12,658,764</b>         | <b>\$ 37,237,119</b>                              | <b>\$ 33,258,055</b>                              | <b>\$ 16,637,828</b>      |
| <b>Investments</b>                       |                              |   |   |                           |
| Certificates of Deposit                  | \$ 1,000,000                 | \$ -  | \$ 1,000,000                                      | \$ -                      |
| Other Investments (Gov. Agency)          | 4,371,794                    | -   | 2,029,241   | 2,342,553                 |
| <b>Total Investments</b>                 | <b>\$ 5,371,794</b>          | <b>\$ -</b>                                       | <b>\$ 3,029,241</b>                               | <b>\$ 2,342,553</b>       |

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 cost and at fair value.

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|                            | <u>Amortized<br/>Cost</u> | <u>Fair Market<br/>Value</u> |
|----------------------------|---------------------------|------------------------------|
| <b>Other Investments</b>   |                           |                              |
| U.S. Government Securities | <u>\$ 2,111,908</u>       | <u>\$ 2,342,553</u>          |

**NOTE 4 RECEIVABLES AND OTHER SHORT-TERM ASSETS**

Receivable and other short-term asset amounts at year-end totaled \$2,173,657, up \$756,249 from the prior year amount of \$1,417,408. The increase is related to a substantial increase in due from other governments in 2015. The following table summarizes the year-end receivables and short-term 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.

**City of Maple Valley's Receivables and Other Short Term Assets**

|  | <u>Governmental Activities</u> |                            | <u>Business-type Activities</u> |                          | <u>Total</u>               |                            |
|--|--------------------------------|----------------------------|---------------------------------|--------------------------|----------------------------|----------------------------|
|  | 2015                           | 2014                       | 2015                            | 2014                     | 2015                       | 2014                       |
| Receivables (net of uncollectibles)              |                                |                            |                                 |                          |                            |                            |
| Taxes  | \$ 1,047,358                   | \$ 898,136                 | \$ -                            | \$ -                     | \$ 1,047,358               | \$ 898,136                 |
| Accounts   | 162,995                        | 77,764                     | 77,561                          | 79,962                   | 240,555                    | 157,726                    |
| Accrued Interest                                 | 67,826                         | 54,647                     | -                               | -                        | 67,826                     | 54,647                     |
| Due from Other Gov'ts                            | 695,446                        | 192,200                    | 4,714                           | 230                      | 700,160                    | 192,430                    |
| Inventory  | -                              | -                          | 60,501                          | 56,790                   | 60,501                     | 56,790                     |
| Prepaid Items                                    | 55,453                         | 56,855                     | 1,804                           | 826                      | 57,257                     | 57,681                     |
| <b>Total Receivables &amp; Short-term Assets</b> | <u><b>\$ 2,029,078</b></u>     | <u><b>\$ 1,279,600</b></u> | <u><b>\$ 144,580</b></u>        | <u><b>\$ 137,807</b></u> | <u><b>\$ 2,173,657</b></u> | <u><b>\$ 1,417,408</b></u> |

The taxes receivable amount of \$1,047,358 is categorized as follows: property taxes, \$55,479; sales taxes, \$576,633; utility taxes, \$305,899; gambling taxes, \$23,811; and franchise fees \$85,536. The property taxes are billed and collected by King County and remitted to the City daily as collected. Of the property taxes receivable amount, 69.9% is from 2015 delinquencies, with 30.1% from prior year delinquencies. If amounts are not collected in seven years, properties are sold to pay the taxes. For the other taxes receivable, amounts are actual collections through the first two months of 2016.

Of the accounts receivable amount of \$240,555, 67.76% was in governmental activities for receivables from individuals, businesses, and developers and 32.24% or \$77,561 was in business-type activities which is for surface water management fees. The accounts receivable in governmental activities were \$59,640 in overspent developer deposits, \$48,535 due from others for items such as the joint utility trench on Witte Road, \$22,115 was for refunds and credits from vendors and \$32,705 was for a settlement 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 due from other governments amount of \$700,160 is categorized as follows: from the State of Washington, \$218,078; from King County, \$439,020; from the City of Kent, \$21,551, from the City of Enumclaw, \$1,181, and from other governments, \$20,330.

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Of the amount due from the State of Washington, \$27,938 is for vehicle excise taxes collected by the State in December 2015 and remitted to the City in January 2016, \$5,551 is proceeds received in January 2016 for the 2015 surplus of the 2001 GMC Sonoma pickup truck \$184,589 is for State grant reimbursements for 2015 expenditures.

Of the amount due from King County, \$354,860 is for real estate excise taxes, collected by the County in December 2015 and remitted to the City in January 2016. \$4,714 is due from King County for surface water management fees collected by them but not yet remitted to the City. \$1,768 is due from King County for 2015 property taxes paid in 2015 but remitted to the City in January of 2016. Also due from King County is a \$77,678 reconciliation amount based on a reconciliation process on the King County Sheriff's contract. The King County Sheriff's contract is billed to the City monthly based on the budget. After year-end closing, the Sheriff's office prepares a reconciliation of budget to actual for certain accounts and adjusts the first billing of the current year based on the results of the reconciliation of the prior year.

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.

Of the \$20,330 due from other governments, \$7,744 is due from the City of Covington and \$12,225 is due from the City of Black Diamond for inspection services completed in 2015 under the interlocal agreement, but not yet remitted to the City. The remaining balance of \$361 is from the Internal Revenue Service for a refund associated with the overpayment of payroll benefits in 2015.

Effective October 1, 2014, the City entered into a lease agreement with Recology CleanScapes, Inc. (Recology) to lease approximately 3,000 square feet of property at the City's Public Works maintenance facility to Recology for the storage of garbage containers, totes and other related supplies and equipment. Recology pays the City \$450 per month under the lease, which is subject to annual CPI adjustments that began January 1, 2016. The annual CPI adjustment is for the Seattle area for the month of August, subject to a 1% floor and 4% ceiling. The lease term is through September 30, 2018, with an option to extend for an additional three year term. Either party can terminate the lease with a thirty-day notice to the other party.

In business-type activities, the inventory amount of \$60,501 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 \$57,257 relate to 2016 costs required to be paid prior to the end of 2015; predominately printing of the recreation guide, membership for the Economic Development Council, and software maintenance and support for Traklt.

## **NOTE 5 INTERFUND ACTIVITY**

For the most part, the City only utilizes interfund receivables or payables when required to fund a project pending receipt of grant funds. For 2015, the City had one year-end interfund loan from the Transportation Development Fund to the Capital Improvement Plan Fund in the amount of \$162,000. Other interfund activity 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

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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 2015 interfund transfers, excluding interfund loans and Internal Service Fund activity:

|                                      | <b>Transfers</b>    |                     |
|--------------------------------------|---------------------|---------------------|
|                                      | <b>In</b>           | <b>Out</b>          |
| General Fund                         | \$ 61,956           | \$ 302,488          |
| Transportation Development Fund      | -                   | 1,024,646           |
| Park Development Fund                | -                   | 424,087             |
| Real Estate Excise Tax Fund          | -                   | 943,924             |
| Transportation Benefit District Fund | -                   | 196,317             |
| Bond Proceeds Fund                   | -                   | 2,284               |
| Capital Improvement Plan Fund        | 3,173,211           | -                   |
| Surface Water Management Fund        | -                   | 341,422             |
|                                      | <b>\$ 3,235,167</b> | <b>\$ 3,235,167</b> |

The General Fund received transfer-in from the Surface Water Management Fund of \$61,956 to fund lake management expenditures in the General Fund.

The Capital Improvement Plan Fund received transfers of \$3,173,211 as funds were budgeted and expended for capital projects: from the General Fund, \$302,488; from the Transportation Development Fund, \$1,024,646; from the Park Development Fund, \$424,087; from the Real Estate Excise Tax Fund, \$943,924; from the Transportation Benefit District, \$196,317, from the Bond Proceeds Fund, \$2,284 and from the Surface Water Management Fund, \$341,422.

**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. Contributed capital assets are recorded at estimated fair market value at the time of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 2015.

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**Capital Assets**

|  | Beginning<br>Balance  | Additions             | Transfers          | Retirements       | Ending<br>Balance     |
|--|-----------------------|-----------------------|--------------------|-------------------|-----------------------|
| <b>Governmental Activities</b>                     |                       |                       |                    |                   |                       |
| <b>Capital Assets not being depreciated</b>        |                       |                       |                    |                   |                       |
| Land   | \$ 212,355,057        | \$ 101,996            | \$ -               | \$ -              | \$ 212,457,053        |
| Intangibles-Easement                               | 314,018               | -                     | -                  | -                 | 314,018               |
| Construction in Progress                           | 3,930,934             | 3,319,557             | (5,588,919)        | -                 | 1,661,572             |
| <b>Total</b>                                       | <b>216,600,009</b>    | <b>3,421,553</b>      | <b>(5,588,919)</b> | <b>-</b>          | <b>214,432,643</b>    |
| <b>Capital Assets being depreciated</b>            |                       |                       |                    |                   |                       |
| Buildings  | 10,402,376            | -                     | -                  | -                 | 10,402,376            |
| Improvements Other Than Buildings                  | 268,795,326           | 129,194               | 3,454,896          | -                 | 272,379,416           |
| Machinery & Equipment                              | 179,038               | 57,826                | -                  | -                 | 236,864               |
| Machinery & Equipment (IS Funds)                   | 1,019,009             | 86,390                | -                  | (35,598)          | 1,069,801             |
| Intangibles-Field Rights                           | -                     | -                     | 2,000,000          | -                 | 2,000,000             |
| Intangibles (IS Funds)                             | 257,935               | 5,987                 | 134,023            | -                 | 397,945               |
| <b>Total</b>                                       | <b>280,653,684</b>    | <b>279,397</b>        | <b>5,588,919</b>   | <b>(35,598)</b>   | <b>286,486,402</b>    |
| <b>Accumulated Depreciation</b>                    |                       |                       |                    |                   |                       |
| Buildings  | (2,145,682)           | (260,451)             | -                  | -                 | (2,406,133)           |
| Improvements Other Than Buildings                  | (124,071,963)         | (8,515,059)           | -                  | -                 | (132,587,022)         |
| Machinery & Equipment                              | (121,370)             | (17,673)              | -                  | -                 | (139,043)             |
| Machinery & Equipment (IS Funds)                   | (683,498)             | (89,267)              | -                  | 29,677            | (743,088)             |
| Intangibles (IS Funds)                             | (169,809)             | (23,090)              | -                  | -                 | (192,899)             |
| <b>Total</b>                                       | <b>(127,192,323)</b>  | <b>(8,905,539)</b>    | <b>-</b>           | <b>29,677</b>     | <b>(136,068,185)</b>  |
| <b>Net Capital Assets being depreciated</b>        | <b>153,461,361</b>    | <b>(8,626,143)</b>    | <b>5,588,919</b>   | <b>(5,921)</b>    | <b>150,418,219</b>    |
| <b>Governmental Activities, Net Capital Assets</b> | <b>\$ 370,061,370</b> | <b>\$ (5,204,590)</b> | <b>\$ -</b>        | <b>\$ (5,921)</b> | <b>\$ 364,850,861</b> |
| <b>Business-type Activities</b>                    |                       |                       |                    |                   |                       |
| <b>Capital Assets not being depreciated</b>        |                       |                       |                    |                   |                       |
| Land   | \$ 13,689,066         | \$ 210,060            | \$ -               | \$ -              | \$ 13,899,126         |
| <b>Total</b>                                       | <b>13,689,066</b>     | <b>210,060</b>        | <b>-</b>           | <b>-</b>          | <b>13,899,126</b>     |
| <b>Capital Assets being depreciated</b>            |                       |                       |                    |                   |                       |
| 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                 |
| <b>Total</b>                                       | <b>3,435,423</b>      | <b>6,538</b>          | <b>-</b>           | <b>-</b>          | <b>3,441,961</b>      |
| <b>Accumulated Depreciation</b>                    |                       |                       |                    |                   |                       |
| Buildings  | (212,417)             | (27,687)              | -                  | -                 | (240,104)             |
| Improvements Other Than Buildings                  | (636,333)             | (71,938)              | -                  | -                 | (708,271)             |
| Machinery & Equipment                              | (211,840)             | (9,797)               | -                  | -                 | (221,637)             |
| <b>Total</b>                                       | <b>(1,060,590)</b>    | <b>(109,422)</b>      | <b>-</b>           | <b>-</b>          | <b>(1,170,012)</b>    |
| <b>Net Capital Assets being depreciated</b>        | <b>2,374,834</b>      | <b>(102,884)</b>      | <b>-</b>           | <b>-</b>          | <b>2,271,950</b>      |
| <b>Business-type, Net Capital Assets</b>           | <b>16,063,900</b>     | <b>107,176</b>        | <b>-</b>           | <b>-</b>          | <b>16,171,075</b>     |
| <b>Grand Total</b>                                 | <b>\$ 386,125,270</b> | <b>\$ (5,097,413)</b> | <b>\$ -</b>        | <b>\$ (5,921)</b> | <b>\$ 381,021,936</b> |

In 2015 the City had a net capital asset decrease of \$5,103,335. The amount reflects the fact that capital asset additions of \$3,917,547 are offset by increases in accumulated depreciation of \$9,014,961. The remaining difference is due to the retirement of assets that were not fully depreciated, \$5,921.

The net additions to land and improvements other than buildings represent developer contributions from Terrace at Maple Woods and 236<sup>th</sup> Ave SE, as well as a drainage facilities turned over to the City with the expiration of the two year maintenance bond for the development.

The additions to construction in progress totaled \$3,319,557 for ten capital projects and two software projects that the City made expenditures on in 2015. The three significant projects were the Witte Rd-

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SR169 to SE 240<sup>th</sup>, Lake Wilderness Dock, and Lake Wilderness Parking Lot. In 2015, an additional \$40,100 was spent of the \$48,000 budget for the T28b-Witte Road SE 254<sup>th</sup> Place to SE 256<sup>th</sup> Place project, this project is expected to be completed in 2017. Also in 2015, an additional \$62,254 of a \$1,840,000 project budget was spent on the T38-216<sup>th</sup> Ave SE-SR516 to South City limits project that is expected to be completed in 2016. Other construction in progress expenditures were primarily for Witte Road projects and T33a-SE 276<sup>th</sup>-240<sup>th</sup> SE to SR169 project which is scheduled for construction within the next two years. The City also completed the implementation of the TRAKiT software GIS module and implementation of new Finance software, Incode.

The Ravensdale Park Phase II valued at \$2,000,000 was transferred from Construction in Progress to intangibles. During 2015, the City, through a partnership with King County, has commenced a multi-phase project to improve, develop and rehabilitate Ravensdale Park and its related open space, trails, and recreation and community facilities in order to provide enhanced park and recreational facilities for public use. The City issued general obligation bonds to cover the financial cost of improving the park and facilities. For partnering with King County, the City receives up to 1,000 prime hours at Ravensdale Park for Parks & Recreation programs each year for the next ten years.

Machinery and equipment additions in governmental funds totaled \$144,216. \$57,826 was added from General Fund purchases and \$86,390 from the Internal Service Funds. The purchases included: Utility vehicle, mower, 2015 Ford F250, 2015 Maxey dump trailer, two VM Host Servers, and 2016 Ford Escape. There were no additions to machinery and equipment in the business-type funds.

Retirements include two back-up tape systems, a riding mower, and a 2001 GMC Sonoma pick-up truck.

Software valued at \$134,023 was transferred from work in progress to intangible assets.

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

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

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

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.

|                               | <b>Governmental<br/>Funds</b> | <b>Internal<br/>Service<br/>Funds</b> | <b>Total</b>        |
|-------------------------------|-------------------------------|---------------------------------------|---------------------|
| General Government            | \$ 7,668                      | \$ 34,028                             | \$ 41,696           |
| Community Development         | -                             | 3                                     | 3                   |
| Parks & Recreation            | 283,814                       | 13,741                                | 297,555             |
| Public Safety                 | 3,766                         | 11,748                                | 15,514              |
| Public Works                  | 8,497,934                     | 52,837                                | 8,550,771           |
|                               | <b>\$ 8,793,182</b>           | <b>\$ 112,357</b>                     | <b>8,905,539</b>    |
| Proprietary Fund Depreciation |                               |                                       | <b>109,422</b>      |
| Total Depreciation            |                               |                                       | <b>\$ 9,014,961</b> |

**NOTE 7 PAYABLES AND OTHER SHORT-TERM LIABILITIES**

Payables and other short-term liabilities at year-end totaled \$1,783,485, up \$215,963 from the prior year amount of \$1,567,522. The majority of the increase is in accounts payable related to deposits and 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.

**City of Maple Valley's Payables and Other Short Term Liabilities**

|   | <b>Governmental Activities</b> |                     | <b>Business-type Activities</b> |                   | <b>Total</b>        |                     |
|---|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
|   | <b>2015</b>                    | <b>2014</b>         | <b>2015</b>                     | <b>2014</b>       | <b>2015</b>         | <b>2014</b>         |
| Accounts Payable                        | \$ 233,108                     | \$ 311,123          | \$ 48,050                       | \$ 86,016         | \$ 281,158          | \$ 397,139          |
| Payroll Payable                         | 121,577                        | 135,822             | 6,479                           | 3,513             | 128,056             | 139,335             |
| Due to Other Gov'ts                     | 273,663                        | 168,868             | 15,585                          | 60,459            | 289,248             | 229,327             |
| Deposits and Unearned Revenue           | 900,445                        | 623,469             | 28,848                          | 28,666            | 929,293             | 652,135             |
| Compensated Absences                    | 141,831                        | 131,332             | 981                             | 843               | 142,812             | 132,174             |
| Accrued Interest Payable                | 12,918                         | 17,412              | -                               | -                 | 12,918              | 17,412              |
| Total Payables & Short-term Liabilities | <b>\$ 1,683,542</b>            | <b>\$ 1,388,026</b> | <b>\$ 99,942</b>                | <b>\$ 179,496</b> | <b>\$ 1,783,485</b> | <b>\$ 1,567,522</b> |

The accounts payable balance of \$281,158 is primarily related to various expenditures in the General Fund where the work was performed or goods delivered prior to yearend but payment was not made until early the following year. The expense for these items is included in 2015 with a corresponding accounts payable accrual. The payroll payable balance of \$128,056 is related to the accrued liability for salaries and wages earned in 2015 but not paid until 2016. The due to other government's balance of \$289,248 is

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primarily due to payables at year-end for the court and jail as well as amounts due to King County, the State Treasurer, the Tahoma School District, and others at year-end.

The deposits and unearned revenue increase of \$277,158 is predominately related to developer deposits received in 2015 for new residential developments and the Tahoma High School project. At year-end the account category totaled \$929,293 in the following components: unearned revenue from developers of \$242,959; developer deposits of \$543,401; lease deposit for Recology CleanScapes \$450; fireworks stand deposits of \$500; Lake Wilderness Lodge deposits and unearned revenue, \$68,838; cable television franchise fees of \$10,000; Lake Management District fees, \$82; internal services prepaids, \$1,510; Crosson judgement of \$32,705; and Lake Wilderness Golf Course deposits and unearned revenue, \$28,848. The Crosson judgement relates to City incurred costs for repair of a right-of-way abatement. The City has placed a lien on the property and is pursuing collection efforts against the homeowner. Unearned revenue from developers totaling \$242,959 is for amounts collected from developers for their portion of the cost of future transportation improvement projects.

The developer deposits are collected from applicants at the beginning of a development project. The amount increased \$280,472 from the 2014 amount of \$262,929 to \$543,401 with the addition of several development projects with deposits for construction inspections. 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.

Unearned revenue for the Lake Wilderness Lodge is for rental deposits collected in 2015 for events to be held in 2016 or later. Unearned revenue for the Lake Wilderness Golf Course is for memberships, \$6,392; tournament and banquet deposits, \$10,657; and gift cards, \$11,799.

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 \$122,561 and is assumed to be 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 \$11,345. The City also accrues the cost of benefits for accumulated compensated absences. The benefit accrual was \$8,906 in 2015. 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, 2015 to December 31, 2015 on the City's general obligation bonds, \$8,764 and the interest due from July 1, 2015 to December 31, 2015 on the City's contracts and loans payable, \$4,154.

**NOTE 8 LONG-TERM LIABILITIES**

Long-term liabilities at year-end totaled \$7,859,907, a \$1,663,697 increase from the 2014 balance of \$6,196,210. All of the City's long term debt is associated with the governmental activities, but beginning in 2015 the City is reporting 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.

|                                    | <u>Governmental Activities</u> |                     | <u>Business-type Activities</u> |             | <u>Total</u>        |                     |
|------------------------------------|--------------------------------|---------------------|---------------------------------|-------------|---------------------|---------------------|
|                                    | <u>2015</u>                    | <u>2014</u>         | <u>2015</u>                     | <u>2014</u> | <u>2015</u>         | <u>2014</u>         |
| Contracts & Loans - Current        | \$ 184,621                     | \$ 184,621          | \$ -                            | \$ -        | \$ 184,621          | \$ 184,621          |
| General Obligation Bonds - Current | 590,000                        | 585,000             | -                               | -           | 590,000             | 585,000             |
| Contracts & Loans Payable          | 1,476,968                      | 1,661,589           | -                               | -           | 1,476,968           | 1,661,589           |
| GO Bonds Payable                   | 3,215,535                      | 3,765,000           | -                               | -           | 3,215,535           | 3,765,000           |
| <b>Total Long-term Liabilities</b> | <b>5,467,123</b>               | <b>6,196,210</b>    | <b>-</b>                        | <b>-</b>    | <b>5,467,123</b>    | <b>6,196,210</b>    |
| Net Pension Liability              | 2,301,900                      | -                   | 90,884                          | -           | 2,392,784           | -                   |
| <b>Total Long-term Liabilities</b> | <b>\$ 7,769,023</b>            | <b>\$ 6,196,210</b> | <b>\$ 90,884</b>                | <b>\$ -</b> | <b>\$ 7,859,907</b> | <b>\$ 6,196,210</b> |

On April 21, 2005, the City issued \$4,815,000 of general obligation refunding bonds to refund the callable portion of its 2000 general obligation bonds, bonds maturing in years 2011 through 2020. The refunding proceeds were placed in escrow and were used to completely retire the 2000 bonds on December 1, 2010. The refunding bonds have coupon rates from 3.00% to 4.25%. At the time of the refunding the outstanding general obligation bonded debt was increased by \$500,000 from \$5,995,000 to \$6,495,000, but the refunding provided a debt service savings of \$283,776 with a net present value of \$218,372 or 5.1%. These bonds were refunded on April 30, 2015.

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 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 outflow of \$107,980 offset by current year amortization of \$12,893 resulting in a year-end balance of \$95,087.

In addition to bonded debt, the City had State infrastructure loans payable of \$1,661,589 at December 31, 2015. State infrastructure loans outstanding are for two projects: the SR 169 – SR 516 to SE 264<sup>th</sup>

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Street project and the SR 516 – 228<sup>th</sup> 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.

|                                | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|--------------------------------|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental Activities</b> |                              |                     |                     |                           |                                |
| State Infrastructure Loan      | \$ 1,846,210                 | \$ -                | \$ 184,621          | \$ 1,661,589              | \$ 184,621                     |
| GO Bonds                       | 4,350,000                    | 3,022,980           | 3,567,445           | 3,805,535                 | 590,000                        |
| <b>Total Long-term Debt</b>    | <b>\$ 6,196,210</b>          | <b>\$ 3,022,980</b> | <b>\$ 3,752,066</b> | <b>\$ 5,467,123</b>       | <b>\$ 774,621</b>              |

Total long-term debt of \$5,467,123 includes the principal amount of \$5,301,589 and the unamortized premium of \$165,534. The remaining debt service schedule to maturity for the general obligation loans and bonds is shown in the table below.

| Year    | 2014 Councilmanic GO Bonds |                   |              | 2015 Refunding GO Bonds |                   |              |
|---------|----------------------------|-------------------|--------------|-------------------------|-------------------|--------------|
|         | Principal                  | Interest          | Balance      | Principal               | Interest          | Balance      |
| 2016    | \$ 150,000                 | \$ 29,670         | \$ 1,140,000 | \$ 440,000              | \$ 75,500         | \$ 1,910,000 |
| 2017    | 150,000                    | 26,220            | 990,000      | 455,000                 | 62,300            | 1,455,000    |
| 2018    | 155,000                    | 22,770            | 835,000      | 470,000                 | 48,650            | 985,000      |
| 2019    | 160,000                    | 19,205            | 675,000      | 485,000                 | 34,550            | 500,000      |
| 2020    | 165,000                    | 15,525            | 510,000      | 500,000                 | 20,000            | -            |
| 2021-25 | 510,000                    | 23,690            | -            | -                       | -                 | -            |
|         | <b>\$ 1,290,000</b>        | <b>\$ 137,080</b> | <b>\$ -</b>  | <b>\$ 2,350,000</b>     | <b>\$ 241,000</b> | <b>\$ -</b>  |

| Year    | 2005 Loan - SR 516 - Witte to 228th |                  |             | 2005 Loan - SR 169 - SR 516 to 264th |                  |             |
|---------|-------------------------------------|------------------|-------------|--------------------------------------|------------------|-------------|
|         | Principal                           | Interest         | Balance     | Principal                            | Interest         | Balance     |
| 2016    | \$ 75,356                           | \$ 3,391         | \$ 602,846  | \$ 109,265                           | \$ 4,917         | \$ 874,122  |
| 2017    | 75,356                              | 3,014            | 527,490     | 109,265                              | 4,371            | 764,856     |
| 2018    | 75,356                              | 2,637            | 452,135     | 109,265                              | 3,824            | 655,591     |
| 2019    | 75,356                              | 2,261            | 376,779     | 109,265                              | 3,278            | 546,326     |
| 2020    | 75,356                              | 1,884            | 301,423     | 109,265                              | 2,732            | 437,061     |
| 2021-25 | 301,423                             | 3,768            | -           | 437,061                              | 5,463            | -           |
|         | <b>\$ 678,202</b>                   | <b>\$ 16,955</b> | <b>\$ -</b> | <b>\$ 983,387</b>                    | <b>\$ 24,585</b> | <b>\$ -</b> |

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

| Year         | Governmental Activities |                   | Total               |
|--------------|-------------------------|-------------------|---------------------|
|              | Principal               | Interest          |                     |
| 2016         | \$ 774,621              | \$ 113,478        | \$ 888,099          |
| 2017         | 789,621                 | 95,905            | 885,526             |
| 2018         | 809,621                 | 77,882            | 887,503             |
| 2019         | 829,621                 | 59,294            | 888,915             |
| 2020         | 849,621                 | 40,141            | 889,761             |
| 2021-25      | 1,248,484               | 32,921            | 1,281,405           |
| <b>Total</b> | <b>\$ 5,301,589</b>     | <b>\$ 419,620</b> | <b>\$ 5,721,209</b> |

On August 25, 2014, and again on April 10, 2015, the dates of the last credit ratings for the City, Standard and Poor's Rating Services confirmed the AA+ underlying rating on these bonds.

The City's Net Pension Liability of \$2,392,784 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, 2015. The total liability is made up of \$2,301,900 or 96.2% in governmental activities and \$90,884 or 3.8% in business-type activities. More information on the Net Pension Liability 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, 2019. For the year-ended December 31, 2015, the City expended \$345,066 for its office space lease up from the prior year amount of \$342,030. 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, 2019. The future minimum lease payments are as follows:

| Year         | City Hall Lease       |                  |
|--------------|-----------------------|------------------|
|              | Minimum Lease Payment |                  |
| 2016         | \$                    | 347,896          |
| 2017         |                       | 353,084          |
| 2018         |                       | 358,376          |
| 2019         |                       | 363,772          |
| <b>Total</b> | <b>\$</b>             | <b>1,423,129</b> |

The above amounts assume the current level of charges for common area maintenance of \$7,588.74 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.

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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.

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 \$53,944 for prepaid expenses, predominately printing of the recreation guide, membership for the Economic Development Council, and software maintenance and support for TrakiT permitting software; an amount assigned for the appropriation of fund balance for the subsequent year of \$817,293; and 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 16.7% of operating expenditures. At December 31, 2015, General Fund's assigned and unassigned fund balance was 41% of 2015 General Fund expenditures.

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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
- The remaining balance in the Capital Improvement Plan fund 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. Unrestricted for funds that can be spent for any purpose for which the fund was established.

Proprietary Funds are 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 31st, 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

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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 2015, 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 \$1.25 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 31<sup>st</sup>. Taxes are levied annually on January 1<sup>st</sup> and become a lien on the property on that day.

Tax bills are mailed on February 14<sup>th</sup> and are due on April 30<sup>th</sup>. Payments may be made in two equal installments by April 30<sup>th</sup> and October 31<sup>st</sup>, but if the first half is not paid by April 30<sup>th</sup>, 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 2015 property taxes, the City's final revised levy was \$3,526,625 up \$106,905 or 3.1% from the 2014 revised levy of \$3,419,720. The levy amount produced a City levy rate of \$1.25 per thousand dollars of assessed valuation, down from \$1.47 the previous year. Of the revised levy amount for 2015, only \$55,479 or 1.6% remained outstanding at December 31, 2015. Of that \$55,479, the outstanding amount for all prior year levies totals is \$16,714. These 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 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 off at retirement 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, 2015 is \$142,812, up from the 2014 amount of \$132,174. Of the total \$142,812, \$11,345 is the estimated value of the sick leave liability based on the likelihood of employees retiring from PERS within the next 10 years.

**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:

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|               | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|---------------|--------------|--------------|--------------|
| Total Payroll | \$ 3,329,629 | \$ 3,211,756 | \$ 3,175,329 |
| PERS Payroll  | 2,827,760    | 2,779,923    | 2,651,133    |

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:

|   | <u>2015</u>              | <u>2014</u>              | <u>2013</u>              |
|---|--------------------------|--------------------------|--------------------------|
| Medicare portion of Social Security       |                          |                          |                          |
| Employer Contributions                    | \$ 46,261                | \$ 45,635                | \$ 45,219                |
| Employee Contributions                    | 46,261                   | 45,635                   | 45,219                   |
| Total Medicare contributions              | <u>92,522</u>            | <u>91,270</u>            | <u>90,438</u>            |
| Substitute Social Security Plan (401(a))  |                          |                          |                          |
| Employer Contributions                    | 185,359                  | 181,472                  | 176,799                  |
| Employee Contributions                    | 201,580                  | 199,129                  | 196,208                  |
| Total 401(a) contributions                | <u>386,939</u>           | <u>380,601</u>           | <u>373,007</u>           |
| Public Employees Retirement System (PERS) |                          |                          |                          |
| Employer Contributions                    | 278,081                  | 251,200                  | 217,285                  |
| Employee Contributions                    | 153,857                  | 145,035                  | 131,280                  |
| Total PERS contributions                  | <u>431,938</u>           | <u>396,235</u>           | <u>348,565</u>           |
| <b>Total Contributions</b>                | <b><u>\$ 911,399</u></b> | <b><u>\$ 868,106</u></b> | <b><u>\$ 812,010</u></b> |
| Total Employer Contributions              | \$ 509,701               | \$ 478,307               | \$ 439,303               |
| Total Employee Contributions              | 401,698                  | 389,799                  | 372,707                  |
| <b>Total Contributions</b>                | <b><u>\$ 911,399</u></b> | <b><u>\$ 868,106</u></b> | <b><u>\$ 812,010</u></b> |

**(1) 401(a) Plan**

The 401(a) plan is 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 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 2015:

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**Aggregate Pension Amounts - All Plans**

|                                |    |           |
|--------------------------------|----|-----------|
| Net Pension Liability          | \$ | 2,392,784 |
| Deferred Outflows of Resources | \$ | 263,465   |
| Deferred Inflows of Resources  | \$ | 372,028   |
| Pension Expense                | \$ | 182,932   |

**Reconciliation of Contributions to Pension Expense**

|                                 |           |                |
|---------------------------------|-----------|----------------|
| Annual Contributions            | \$        | 278,081        |
| Adjustments to Pension Expense: |           |                |
| Governmental Funds              |           | (84,621)       |
| Internal Service Funds          |           | (6,966)        |
| Enterprise Funds                |           | (3,562)        |
| <b>Pension Expense</b>          | <b>\$</b> | <b>182,932</b> |

**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](http://www.drs.wa.gov).

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

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

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60

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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 rates (expressed as a percentage of covered payroll) for 2015 were as follows:

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

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

|        | <b>2015</b> | <b>2014</b> | <b>2013</b> |
|--------|-------------|-------------|-------------|
| PERS 1 | \$ 8,014    | \$ 12,836   | \$ 10,494   |

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-

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time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions

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

| <b>PERS Plan 2/3</b>               |                 |                   |
|------------------------------------|-----------------|-------------------|
| <b>Actual Contributions Rates:</b> | <b>Employer</b> | <b>Employee *</b> |
| January through June 2015          | 9.21%           | 4.92%             |
| July through December 2015         | 11.18%          | 6.12%             |
| Employee PERS Plan 3               | N/A             | Varies            |

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

| <b>Plan</b>  | <b>2015</b>       | <b>2014</b>       | <b>2013</b>       |
|--------------|-------------------|-------------------|-------------------|
| PERS 2       | \$ 249,832        | \$ 226,558        | \$ 201,881        |
| PERS 3       | 20,236            | 11,806            | 4,909             |
| <b>Total</b> | <b>\$ 270,067</b> | <b>\$ 238,364</b> | <b>\$ 206,790</b> |

**Actuarial Assumptions**

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

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

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

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

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

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

**Discount Rate**

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

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of

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expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB’s capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

**Estimated Rates of Return by Asset Class**

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

| Asset Class     | Target Allocation | % Long-Term                             |
|-----------------|-------------------|---|
|                 |                   | Expected Real Rate of Return Arithmetic |
| Fixed Income    | 20.00%            | 1.70%                                   |
| Tangible Assets | 5.00%             | 4.40%                                   |
| Real Estate     | 15.00%            | 5.80%                                   |
| Global Equity   | 37.00%            | 6.60%                                   |
| Private Equity  | 23.00%            | 9.60%                                   |
|                 | 100.00%           |   |

**Sensitivity of NPL**

The table below presents the City of Maple Valley’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

| Plan         | Current             |                      |                    |
|--------------|---------------------|----------------------|--------------------|
|              | 1% Decrease (6.5%)  | Discount Rate (7.5%) | 1% Increase (8.5%) |
| PERS 1       | \$ 1,631,781        | \$ 1,340,269         | \$ 1,089,595       |
| PERS 2/3     | 3,077,610           | 1,052,515            | (498,023)          |
| <b>Total</b> | <b>\$ 4,709,391</b> | <b>\$ 2,392,784</b>  | <b>\$ 591,572</b>  |

**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.**

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At June 30, 2015, the City of Maple Valley reported a total pension liability of \$2,392,784 for its proportionate share of the net pension liabilities as follows:

| <b>Plan</b>  | <b>Liability</b>    |
|--------------|---------------------|
| PERS 1       | \$ 1,340,269        |
| PERS 2/3     | 1,052,515           |
| <b>Total</b> | <b>\$ 2,392,784</b> |

At June 30, 2015 the City of Maple Valley’s proportionate share of the collective net pension liabilities was as follows:

| <b>Plan</b> | <b>Proportionate Share 6/30/14</b> | <b>Proportionate Share 6/30/15</b> | <b>Change in Proportionate Share</b> |
|-------------|------------------------------------|------------------------------------|--------------------------------------|
| PERS 1      | 0.025956%                          | 0.025622%                          | -0.000334%                           |
| PERS 2/3    | 0.030008%                          | 0.029457%                          | -0.000551%                           |

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

**Pension Expense**

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

| <b>Plan</b>  | <b>Pension Expense</b> |
|--------------|------------------------|
| PERS 1       | \$ 62,754              |
| PERS 2/3     | 120,178                |
| <b>Total</b> | <b>\$ 182,932</b>      |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

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

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| <b>PERS 1</b>                                    | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Contributions subsequent to the measurement date | \$ 66,569                                 | \$ -                                     |
| Difference between expected and actual earnings  | -   | 73,327                                   |
| <b>Total</b>                                     | <b>\$ 66,569</b>                          | <b>\$ 73,327</b>                         |

| <b>PERS 2/3</b>  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Changes of Assumptions   | \$ 1,696                                  | \$ -                                     |
| Contributions subsequent to the measurement date   | 83,318                                    | -  |
| Difference between expected and actual earnings  | -   | 280,972                                  |
| Difference between expected and actual experience  | 111,882                                   | -  |
| Changes in proportion and differences between contributions and proportionate share of contributions | -   | 17,729                                   |
| <b>Total</b>   | <b>\$ 196,896</b>                         | <b>\$ 298,701</b>                        |

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, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ended<br/>December 31:</b> | <b>PERS 1</b>      | <b>PERS 2/3</b>     | <b>Total<br/>Amortization</b> |
|------------------------------------|--------------------|---------------------|-------------------------------|
| 2016                               | \$ (28,419)        | \$ (81,500)         | \$ (109,919)                  |
| 2017                               | (28,419)           | (81,500)            | (109,919)                     |
| 2018                               | (28,419)           | (81,500)            | (109,919)                     |
| 2019                               | 11,930             | 59,377              | 71,307                        |
| <b>Total</b>                       | <b>\$ (73,327)</b> | <b>\$ (185,123)</b> | <b>\$ (258,450)</b>           |

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**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 a 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:

|  | <b>2015</b>       | <b>2014</b>       | <b>2013</b>       |
|--|-------------------|-------------------|-------------------|
| Worker's Compensation                      | \$ 42,194         | \$ 45,063         | \$ 42,415         |
| Medical, Dental and Vision (Health)        | 581,771           | 539,945           | 540,708           |
| Group Life and Long-term Disability        | 5,326             | 16,947            | 16,072            |
|  | <b>\$ 629,290</b> | <b>\$ 601,955</b> | <b>\$ 599,195</b> |
| Other Benefit Cost as a % of Total Payroll | 19%               | 19%               | 19%               |

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, 2015, was \$581,771 or 17% 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 2015, the AWC Benefit Trust granted a Long Term Disability (LTD) premium holiday to employers currently offering LTD coverage. The Trust’s LTD contract contains an experience rated refunding provision that enabled the Trust to request a refund of claims fluctuation reserves once the account exceeds one-half of the annualized premium and the Board of Trustees was able to offer the twelve month premium holiday to qualified employers from January 1, 2015 through December 31, 2015. Eligible employees were still covered for LTD, as the Trust paid for the LTD premiums out of the reserve funds. Based on the City’s total payroll for 2015 for those qualifying employees, this saved the City \$11,940 in LTD premiums. The increase between 2014 and 2015 premiums for Group Term Life Insurance remained flat.

**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 179 Members.

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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

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

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

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

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

**City of Maple Valley**  
**Notes to the Financial Statements**  
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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>2015</u> | <u>2014</u> | <u>2013</u> |
|--------------|-------------|-------------|-------------|
| Claims Paid  | \$ 4,704    | \$ 28,377   | \$ 13,994   |
| Net Position | 24,494      | 27,303      | 55,328      |

Based on the trend data and the fact that the City has had minimal layoffs, the net position at this time appears reasonable.

**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, 2015. The City's commitments with contractors are as follows:

| <u>Construction Commitments</u>                     |                    |                        |                   |                              |
|---|--------------------|------------------------|-------------------|------------------------------|
| <u>Contract Name</u>                                | <u>Project No.</u> | <u>Contract Amount</u> | <u>Payments</u>   | <u>Balance at 12/31/2015</u> |
| <b>Construction Contracts</b>                       |                    |                        |                   |                              |
| Daley Morrow Problete, Inc.                         | S10                | \$ 64,000              | \$ 45,297         | \$ 18,703                    |
| Intolight   | T38                | 262,688                | -                 | 262,688                      |
| KBA, Inc.   | T28a               | 192,359                | 191,558           | 801                          |
| Mead & Hunt, Inc.                                   | T28b               | 335,523                | -                 | 335,523                      |
| Prametrix, Inc.                                     | T38                | 214,962                | 168,975           | 45,987                       |
| <b>Interlocal Agreements:</b>                       |                    |                        |                   |                              |
| King County GIS Center                              |                    | 15,500                 | -                 | 15,500                       |
| King County Surface Water                           |                    | 29,710                 | 20,756            | 8,954                        |
| King County Water & Land Resource Division - WRIA 8 |                    | 1,061                  | -                 | 1,061                        |
| King County Water & Land Resource Division - WRIA 9 |                    | 6,506                  | -                 | 6,506                        |
| <b>Total</b>  |                    | <u>\$ 1,122,309</u>    | <u>\$ 426,586</u> | <u>\$ 695,723</u>            |

**NOTE 14 CHANGE IN ACCOUNTING PRINCIPAL**

In June 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68. Statement No. 68 amends GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers as well as the requirements of GASB Statement No. 50, Pension Disclosures. The scope of the change relates to pension plans that are administered through a trust or similar

**City of Maple Valley**  
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arrangement meeting certain criteria. Both GASB Statements No. 27 and 50 are still applicable to those pensions not covered within the scope of Statement No. 68.

The City of Maple Valley adopted the provisions of Statement No. 68 during the fiscal year ending December 31, 2015. Beginning Net Position in the following funds were affected by this change in accounting principle:

|                                  | <b>Net Position</b>         |                             | <b>Net Position</b>         |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                  | <b>Beginning</b>            | <b>GASB 68</b>              | <b>Net Position</b>         |
|                                  | <b>Balance</b>              | <b>Adjustment</b>           | <b>Restated</b>             |
|                                  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Governmental Activities          |                             |                             |                             |
| Governmental Funds               | \$ 377,905,545              | \$ (2,304,014)              | \$ 375,601,531              |
| Internal Service Funds           | 1,127,990                   | (193,679)                   | 934,311                     |
| Total Governmental Activities    | <u>379,033,535</u>          | <u>(2,497,693)</u>          | <u>376,535,842</u>          |
| Business-Type Activities         |                             |                             |                             |
| Surface Water Management Fund    | 14,896,834                  | (97,926)                    | 14,798,908                  |
| Lake Wilderness Golf Course Fund | 3,879,135                   | (878)                       | 3,878,257                   |
| Total Business-Type Activities   | <u>18,775,969</u>           | <u>(98,804)</u>             | <u>18,677,165</u>           |
| Total Primary Government         | <u>\$ 397,809,504</u>       | <u>\$ (2,596,497)</u>       | <u>\$ 395,213,007</u>       |

**City of Maple Valley**  
**Schedule of Employer's Proportionate Share of Net Pension Liability**  
**Public Employees' Retirement System**  
**As of June 30, 2015**  
**Last Ten Years** *(Additional years will be displayed as they become available)*

|  | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|
| <b>PERS 1</b>  |              |              |
| Employer's Proportion of the Net Pension Liability   | 0.025622%    | 0.025956%    |
| Employer's Proportionate Share of the Net Pension Liability                                    | \$ 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 | 872%         | 1039%        |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 59.10%       | 61.19%       |
| <b>PERS 2/3</b>  |              |              |
| Employer's Proportion of the Net Pension Liability   | 0.029457%    | 0.030008%    |
| Employer's Proportionate Share of the Net Pension Liability                                    | \$ 1,052,515 | \$ 606,570   |
| Employer's Covered Payroll   | \$ 2,473,491 | \$ 2,462,184 |
| Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 43%          | 25%          |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                     | 89.20%       | 93.29%       |

**Notes to required schedule:**

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, 2015**

*Last Ten Years (Additional years will be displayed as they become available)*

|                 | <b>Contractually<br/>Required<br/>Contribution</b> | <b>Contributions<br/>in Relation to<br/>Contractually<br/>Required<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)<sup>(1)</sup></b> | <b>Employer's<br/>Covered<br/>Payroll</b> | <b>Contributions<br/>as a % of<br/>Covered<br/>Employee<br/>Payroll</b> |
|-----------------|--|---|---|---|---|
| <b>PERS 1</b>   |  |   |   |   |   |
| 2015            | \$ 8,014   | \$ 8,014  | \$ (0)  | \$ 87,014                                 | 9.21%   |
| 2014            | \$ 12,836  | \$ 12,836   | \$ (0)  | \$ 139,373                                | 9.21%   |
| <b>PERS 2/3</b> |  |   |   |   |   |
| 2015            | \$ 270,078   | \$ 270,067  | \$ 11   | \$ 2,633,127                              | 10.26%  |
| 2014            | \$ 238,364   | \$ 238,364  | \$ 0  | \$ 2,588,102                              | 9.21%   |

<sup>(1)</sup> Actual contributions are calculated by individual paycheck whereas the contractually required contribution is calculated using annual totals. The Deficiency (Excess) is attributable to differences in rounding.

**Notes to required schedule:**

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

The required contribution rate increased on July 1, 2015 from 9.21% of covered employee payroll to 11.18% of covered employee payroll.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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