Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Maple Valley

King County

For the period January 1, 2017 through December 31, 2017

Published October 25, 2018

Report No. 1021878

Office of the Washington State Auditor
Pat McCarthy

October 25, 2018

Council
City of Maple Valley
Maple Valley, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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INDEPENDENT AUDITOR'S REPORT 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, 2017 through December 31, 2017

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, 2017, 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 21, 2018.

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.

Pat McCarthy

State Auditor

Olympia, WA

June 21, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Maple Valley
King County
January 1, 2017 through December 31, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Maple Valley, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 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 21, 2018 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.

Pat McCarthy

State Auditor

Olympia, WA

June 21, 2018

FINANCIAL SECTION

City of Maple Valley
King County
January 1, 2017 through December 31, 2017

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As management of the City of Maple Valley, we offer readers of this report this narrative overview and analysis of the financial activities of the City of Maple Valley for the fiscal year ended December 31, 2017. 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, 2017 by $395,438,219 (net position). Of this amount, $7,374,327 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Of the rest, $13,701,714 is restricted for specific operating and capital purposes and $ 374,362,178 is net investment in capital assets.
- During 2017 the City's total net position increased $5,873,415. This amount includes an increase of $ 2,608,662 in the net investment in capital assets. Of this increase in net investment in capital assets, $ 540,576 is due to a prior period adjustment which increased the City's net investment in capital assets as of January 1, 2017.
- The total increase in net position also includes an increase of $2,228,648 in restricted net position and an increase of $1,576,679 in unrestricted net position.
- At December 31, 2017 the City of Maple Valley's governmental funds reported a combined ending fund balance of $19,320,031 up $2,795,798 from the prior year amount of $16,524,233. While the City budgeted a $2,720,016 decrease in governmental fund ending fund balance from $17,016,273 to $14,296,257, the governmental fund ending fund balance was $5,023,774 better than budgeted. Governmental fund revenues were over budget by $2,186,953.
- At the end of 2017 the assigned and unassigned fund balance for the General Fund was $5,448,279, 41.7% of total General Fund expenditures. This amount is up $488,970 from 2016 ending assigned and unassigned fund balance of $4,959,309. The main reason for the increase was additional plan review revenue associated with an increase in development within the City.
- The City of Maple Valley's total liabilities decreased $300,968 from $10,016,612 in 2016 to $9,715,644 in 2017. The decrease was due to a significant reduction in the Net Pension Liability and the reduction of long-term debt via annual debt service payments offset by increases in short term liabilities. The 2017 liabilities include $2,543,199 in general obligation bonded debt. On March 23, 2017, 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; economic environment; mental and physical health; culture and recreation, excluding the Lake Wilderness Golf Course; public safety; transportation; and utilities and environment, excluding 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.

The S*tatement 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 S*tatement of Activities* presents information showing how the City's net position changed during the year and 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 2008 through 2017.

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 reserve fees to insure future availability of funds to replace equipment or to fund unemployment claims. As mentioned above, internal service funds in the City of Maple Valley are categorized as governmental activities on the *Statement of Net Position* and the *Statement of Activities.*

A complete reconciliation of the fund financial statements to the government-wide financial statements is included after the fund 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 to which they provide services are eliminated.

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 increased by $6,413,989, or 1.6%. 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.

Condensed Statement of Net Position
(Dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Assets						
Current Assets	$ 23,295	$ 19,321	$ 3,741	$ 2,979	$ 27,036	$ 22,300
Capital Assets	361,974	360,352	16,223	16,060	378,198	376,412
Total Assets	**385,269**	**379,673**	**19,964**	**19,039**	**405,234**	**398,712**
Deferred Outflows of Resources						
Debt Refunding	-	-	-	-	-	-
Pensions	393	494	19	22	412	516
Total Deferred Outflows of Resources	**393**	**494**	**19**	**22**	**412**	**516**
Liabilities						
Current Liabilities	3,328	2,281	190	176	3,518	2,457
Long-term Liabilities	6,095	7,441	102	118	6,197	7,560
Total Liabilities	**9,423**	**9,722**	**292**	**295**	**9,716**	**10,017**
Deferred Inflows of Resources						
Debt Refunding	42	56	-	-	42	56
Pensions	429	125	21	6	450	131
Total Deferred Inflows of Resources	**471**	**181**	**21**	**6**	**492**	**187**
Net position						
Net Investment in Capital Assets	358,139	355,693	16,223	16,060	374,362	371,754
Restricted	13,702	11,473	-	-	13,702	11,473
Unrestricted	3,928	3,097	3,446	2,700	7,374	5,798
Total Net Position	**$ 375,769**	**$ 370,264**	**$ 19,670**	**$ 18,760**	**$ 395,438**	**$ 389,024**

Current assets at December 31, 2017 totaled $27,035,939, up $4,736,041 or 21.2% from the December 31, 2016 amount of $22,299,898. The change is comprised of an increase in cash, cash equivalents, investments, receivables, inventory, and prepayments, offset by a decrease in due from other governments.

Cash and cash equivalents make up 85.2% of current assets and include: petty cash and other imprest funds totaling $20,500, the checking account balance of $7,253,361, and $15,772,118 invested overnight with the State of Washington Local Government Investment Pool (LGIP). In addition to the LGIP investments, at year end the City had $2,184,234 or 8.1% of current assets invested in two individual U.S. government agency securities which will mature in 2018 and 2019. At year-end the LGIP was earning 1.28% and the other investments were earning an average 1.29%.

The remaining current asset balance at December 31, 2017 was $1,805,725 or 6.7% of current assets. Of this amount, $1,027,406 was for taxes receivable, $158,314 was for accounts receivable, $39,795 was for special assessments receivable, $30,283 was for accrued interest receivable, $9,493 was for other current receivables, $400,480 was for intergovernmental receivables, $73,364 was for inventory, and $66,590 was for prepaid items.

Of the taxes receivable amount of $1,027,406 all but $7,539 was collected by February 28, 2018. The uncollected receivable of $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.

Of the accounts receivable amount of $158,314, $45,705 was for receivables from developers, $24,844 was for reimbursements receivable, and $87,766 was in surface water management fee receivables. The receivables from developers are for billings of City staff time on various developer projects. Amounts are considered highly 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, $62,985, was due from Fire District #43 for surface water management fees from 2002 through 2017. The district has not paid these fees claiming that the City owes them at least an 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 special assessments receivable amount of $39,795, $39,713 was for a settlement receivable and $82 was for Lake Management receivables. Of the intergovernmental receivables amount of $400,480, $28,373 is due from the State of Washington, $189,517 is due from King County, $15,232 is due from the City of Kent, $578 is due from the City of Enumclaw, and $166,780 is due from other governments including the Cities of Covington and Black Diamond with regards to interlocal agreements, the Tahoma School District for School Resource Officer services, and the Port of Seattle for an Economic Development grant. The State of Washington amount is for vehicle excise taxes. The King County amount is for property taxes, real estate excise taxes, and surface water management fees. Inventory is for food, beverages, and merchandise at the Lake Wilderness Golf Course. The prepaid amount of $66,590 is predominantly for trainings and memberships for 2018 and beyond, and other miscellaneous expenses for 2018 that the City was required to pay prior to the end of 2017. 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 $378,197,722 up $1,259,305 from the adjusted prior year amount of $376,938,417. For more information on the prior period adjustment related to capital assets see Note 14 to the financial statements. 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's Capital Assets
(Net of Accumulated Depreciation)
(Dollars expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 216,845	$ 212,954	$ 14,163	$ 13,900	$ 231,008	$ 226,853
Intangibles-Easement	314	314	-	-	314	314
Buildings	7,537	7,749	763	790	8,300	8,539
Improvements other than Bldgs	130,122	133,267	1,290	1,362	131,412	134,629
Machinery & Equipment	469	547	4	8	473	555
Intangibles-Field Rights	1,600	1,800	-	-	1,600	1,800
Intangibles-Software	118	169	4	5	122	174
Construction in Progress	4,969	4,074	-	-	4,969	4,074
Total Capital Assets	**$ 361,974**	**$ 360,873**	**$ 16,223**	**$ 16,065**	**$ 378,198**	**$ 376,938**

The net increase is made up of capital asset additions and contributions of $10,285,903, which includes $10,022,886 for governmental activities and $263,017 for business-type activities, offset by the increase in accumulated depreciation of $9,026,598, which includes depreciation of $8,921,720 for governmental

activities and $104,879 for business-type activities. The retirements of $21,959 were for fully depreciated items. The City also recorded transfers and other adjustments for assets with a net book value of $481,175. This was 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).

The additions included developer contributions for land and improvements other than buildings of $8,311,275 that were related to new streets in the Edgestone 1, Edgestone 2, Canton Crossing, and South Fork developments. The City also received three drainage ponds from developers in the amount of $262,517 and purchased additional land for an existing drainage pond for $500 in 2017.

In July 2017 the City purchased a piece of land for a future community park which included a mobile home. The purchase price was $274,536.

In addition to this, the City added construction in progress of $1,375,363 and also capitalized $361 of capital expenditures for a project which was substantially completed in 2016. The year-end construction in progress balance of $4,968,545 is made up of $4,172,164 for roadway projects, $769,131 for parks projects, and $27,250 for City facilities projects undertaken during the year but not yet completed at year-end.

Machinery and equipment additions of $61,350 included the purchase of 2009 F550 Boom Truck ($52,755) and an air compressor for the maintenance shop ($8,595) in the operating funds.

Long-term liabilities at December 31, 2017 totaled $6,197,154, a decrease of $1,362,372 from the December 31, 2016 amount of $7,559,526. The City's portion of the net pension liability of the Public Employees Retirement System makes up $2,361,609 or 38.1% of the City's long-term liabilities.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Contracts & Loans - Current	$ 185	$ 185	$ -	$ -	$ 185	$ 185
General Obligation Bonds - Current	625	605	-	-	625	605
Contracts & Loans Payable	1,108	1,292	-	-	1,108	1,292
GO Bonds Payable	1,918	2,577	-	-	1,918	2,577
Total Long-term Debt	**3,836**	**4,659**	**-**	**-**	**3,836**	**4,659**
Net Pension Liability	2,259	2,782	102	118	2,362	2,901
Total Long-term Liabilities	**$ 6,095**	**$ 7,441**	**$ 102**	**$ 118**	**$ 6,197**	**$ 7,560**

No contract and loan borrowing was done in 2017. 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%.

In 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 refunding bonds were issued with a coupon rate of 3% through 2019 and 4% in 2020. The current portion of the 2015 refunding bonds is $470,000 and the long-term portion, including the unamortized premium, is $1,083,199 at December 31, 2017. In addition to the refunded

debt, the City had the 2014 general obligation bond outstanding long-term amount of $835,000, and the current portion of $155,000. 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 Note 8 to the financial statements.

Net position at December 31, 2017 totaled $395,438,219, up $5,873,415 from the adjusted December 31, 2016 amount of $389,564,805. The largest portion of the December 31, 2017 total, $374,362,178 or 94.7%, 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, $13,701,714, up $2,228,648 from the December 31, 2016 amount of $11,473,066, is restricted, primarily for capital purposes. The unrestricted net position at December 31, 2017 totaled $7,374,327 up $1,576,682 from the December 31, 2016 amount of $5,797,646. 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, 2016 to December 31, 2017. The condensed *Statement of Activities* shown in the table below identifies the changes in net position.

Condensed Statement of Activities
(Dollars expressed in thousands)

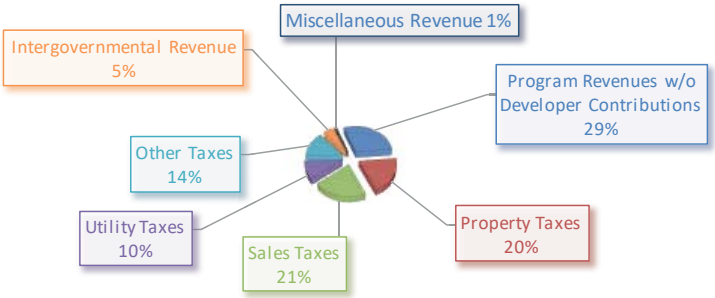
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues by Major Source						
Program Revenues						
Charges for Services	$ 5,283	$ 2,221	$ 2,417	$ 2,375	$ 7,700	$ 4,596
Operating Grants & Contributions	168	715	8	17	176	732
Capital Grants & Contributions	8,373	2,694	263	-	8,635	2,694
General Revenues						
Property Taxes	3,745	3,672	-	-	3,745	3,672
Sales Taxes	4,003	4,229	21	-	4,024	4,229
Utility Taxes	1,919	1,836	-	-	1,919	1,836
Other Taxes	2,698	2,373	-	-	2,698	2,373
Intergovernmental Revenue	964	394	-	-	964	394
Miscellaneous Revenue	132	(45)	24	(34)	156	(79)
Total Revenues	**27,284**	**18,088**	**2,732**	**2,358**	**30,016**	**20,446**
Expenses by Function						
General Government	2,540	2,715	-	-	2,540	2,715
Economic Environment	1,180	891	-	-	1,180	891
Mental and Physical Health	279	30	-	-	279	30
Culture and Recreation	3,060	3,020	1,093	1,140	4,153	4,160
Public Safety	4,668	4,486	-	-	4,668	4,486
Transportation	10,430	10,228	-	-	10,430	10,228
Utilities and Environment	160	124	688	1,079	847	1,202
Interest on Long-term Debt	46	229	-	-	46	229
Total Expenses	**22,362**	**21,723**	**1,781**	**2,218**	**24,143**	**23,941**
Excess (Deficiency) of Revenues over Expenses	**4,921**	**(3,635)**	**952**	**140**	**5,873**	**(3,495)**
Transfers In/(Out)	48	432	(48)	(432)	(0)	-
Increase (Decrease) in Net Position	**4,969**	**(3,203)**	**904**	**(291)**	**5,873**	**(3,495)**
Net Position - January 1	**370,264**	**373,467**	**18,760**	**19,052**	**389,024**	**392,519**
Prior Period Adjustment	535	-	5	-	541	-
Net Position - December 31	**$ 375,769**	**$ 370,264**	**$ 19,670**	**$ 18,760**	**$ 395,438**	**$ 389,024**

Governmental Activities

Governmental activity revenue increased by $9,195,874 with the major increases being charges for services of $3,124,112, capital grants and contributions of $5,679,280, property tax of 72,519, utility taxes

of $83,047, other taxes of $325,206, intergovernmental revenue of $507,272, and miscellaneous revenue of $176,927. These increases were offset by decreases in operating grants and contributions of $546,575 and sales tax of $225,913. Most of the contributions are land and improvements dedicated to the City by developers. The chart below shows the distribution of the City revenues from governmental activities. Developer contributions are removed from the chart to provide a more meaningful analysis.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Governmental activity program revenues, exclusive of developer contributions of $8,311,275, are up $1,071,436 from $4,503,777 to $5,575,213 due to a $3,124,112 increase in charges for services offset by a $546,576 decrease in operating grants and contributions and a $1,506,100 decrease in capital grants excluding developer contributions. Developer contributions increased $7,185,380 from $1,125,895 in 2016 to $8,311,275 in 2017.

Governmental activity general revenues are up $939,057 or 7.5% from $12,458,034 in 2016 to $13,397,091 in 2017. The increases are in all of the major categories except sales tax, which experienced an expected decrease of $225,913 or 6.8% due to the completion of the new Tahoma High School and Lake Wilderness Elementary school during the year; and gambling tax which decreased $13,500 or 18.5%. The largest sources of tax revenue increases are identified below.

- Property taxes, which provided 30.3% of the tax base, increased $72,519 or 2.0%;
- Utility taxes, which provide 15.5% of the tax base, increased $83,048 or 4.2%
- Real estate excise tax, which provide 15.1% of the tax base, increased $274,439 or 17.2%.
- Vehicle excise taxes, which provided 3.1% of the tax base, increased $12,969 or 3.5%;
- Leasehold excise tax, which provides 0.02% of the tax base, increased $2,840 or 338%

The property tax increase includes two components: an annual levy limit increase of 0.93% and a new construction levy at the prior year's levy rate that provided an increase of 2.1%.

Sales tax revenue also includes two components: locally generated revenue, $3,336,545 and public safety-related revenue distributed to cities based on population, $687,308. The locally generated revenue is from two main sources, construction and non-construction retail sales. The City also allocates the portion of sales tax generated by the Lake Wilderness Golf Course to the Lake Wilderness Golf Course Fund. This amount was $21,213 in 2017. Construction sales provided 25.1% of the locally generated sales tax revenue, down from 34.7% in 2016.

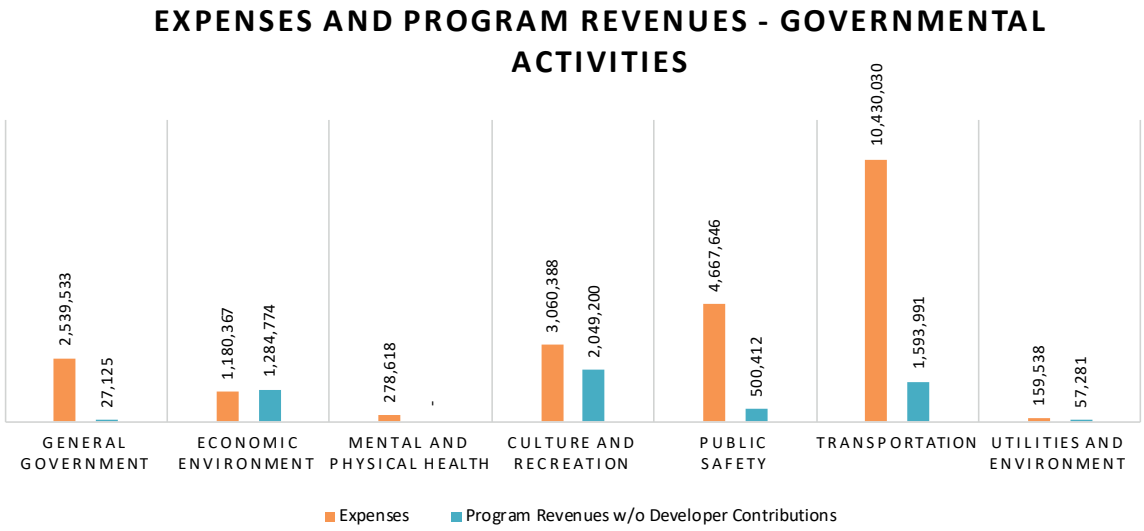
Utility taxes increased $83,048 from $1,835,667 to $1,918,715 due primarily to an increase of $99,196 or 26.8% in Natural Gas Utility Tax.

Real estate excise tax revenue increased $274,439 from $1,597,864 to $1,872,303 primarily due to an increase in the value and quantity of property sales in 2017 compared to 2016. Single Family Residential (SFR) sales increased from 703 to 727 (3.4%) and the average price of a SFR home increased from $417,376 to $451,001 (8.1%). The average price of new homes has increased 5.1% and the average price of existing homes has increased 9.3% since 2016. Overall the revenue is down 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:

- Miscellaneous revenue is up $176,927 in 2017 due primarily to increased investment earnings.
- Intergovernmental revenue increased $507,271 in 2017 due to the inclusion of additional state shared revenue which had been reported as program revenue in previous years.

The chart below compares program expenses to program revenue.



In all programs, except economic environment, program expenses exceeded program revenues. In general government, program revenue from special licenses, passports, and gain on sale of asset was 1.1 % of program expenses, up from 0.8% in 2016. In economic environment, program revenue was 108.8% of program expenses, up from 64.9% in 2016. In culture and recreation, program revenue was 67.0% of program expenses, up from 32.2% in 2016. In public safety, program revenue was 10.7% of program expenses, up from 5.4% in 2016. In transportation, program revenue, without developer contributions, was 15.3% of program expenses; this decrease from 37.3% in 2016 is due to fewer capital grants and contributions for transportation projects in 2017.

Governmental activity expenses increased $639,486 or 2.9% from $21,722,656 in 2016 to $22,362,142 in 2017. 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 $175,364 or 6.5%. This decrease was due primarily to a one-time severance package awarded in 2016 in the amount of $220,222; related payments totaled only $4,990 in 2017. This large cost savings was partially offset by increases in spending on human resources salary and benefits for added staff in the amount of $64,517 and election services in the amount of $40,379.

Expenses for economic environment, a combination of planning, building operations, and economic development, increased $289,486 or 32.5%. $141,062 or 48.7% of the increase was due to the addition of an economic development division and Economic Development Manager in 2017. $42,410 or 14.7% of the increase was due to the implementation of an online permitting system. $75,263 or 26.0% of the increase was for Building Official services through the City of Covington. $12,938 or 4.5% of the increase was for Hearing Examiner services. Both the Building Official and Hearing Examiner service increases were the result of a spike in residential development in 2017.

Mental and physical health expenses increased by $41,646 in 2017 due in part to a $5,000 increase in the grant to Vine Maple Place for a total grant of $20,000. Vine Maple Place provides transitional housing, mentorship, child advocacy and life-skills training assistance to homeless single parents. The City awarded a new human service grant in the amount of $36,646 to NEXUS, a not-for-profit organization providing drug and alcohol treatment and mental health counseling to youth and their families. The City also awarded a $15,000 grant to the Maple Valley Food Bank which provides vital nutritional resources to those in need.

Culture and recreation expenses, including parks maintenance, the Lake Wilderness Lodge, recreation programs, community events, and funding for community service agencies, increased $247,337 or 8.2%. $88,388 or 35.7% of the increase was for salaries and wages in the Parks Administration, Parks Maintenance, and Recreation Administration divisions. In addition to the annual cost of living adjustment (COLA) and employee merit increases, the City hired a 0.75 FTE to the Parks Maintenance division in 2017 and reclassified an administrative position to a higher level of responsibility and salary. $70,712 or 28.6% of the increase was for the purchase of new tables and chairs for rental use at the Lake Wilderness Lodge; $17,146 or 6.9% of the increase was additional funding for the Lake Wilderness Arboretum; $10,827 or 4.4% was for fencing at a new community park site; $19,000 or 7.7% of the increase was due to Day Camp program growth during the summer months; and $12,977 or 5.2% of the increase was the result of additional recreation program growth throughout the year.

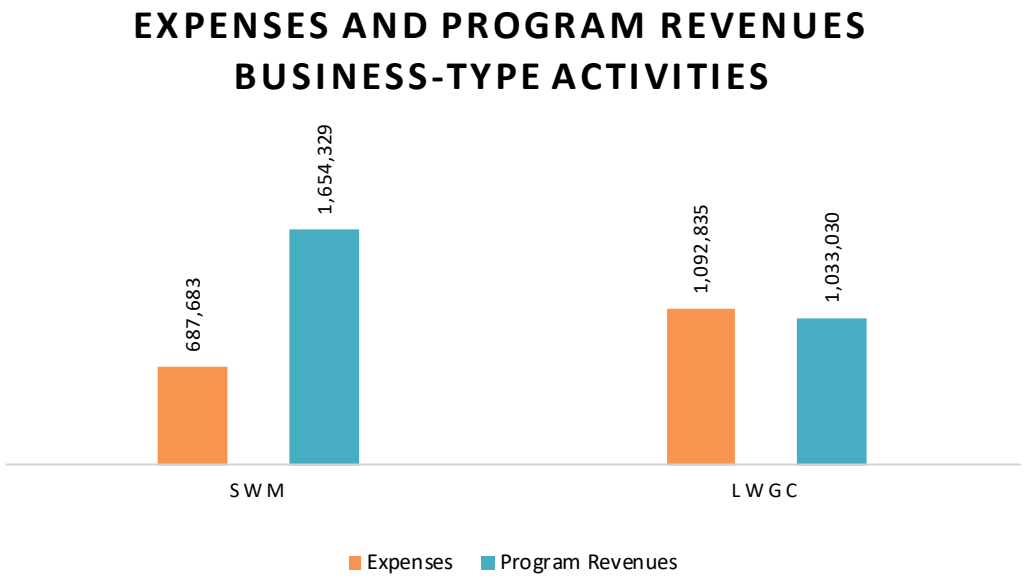
Public safety expenses, including police, jail, and Fire Marshal, increased $181,280 or 4.0% from 2016 to 2017. For police services, the City contracts with King County for 18 police officers, vehicles, equipment, and support costs. The City directly employs one police civilian to assist with administrative 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 $343,701 from $3,947,024 to $4,290,725 in 2017. Of this increase, $177,832 or 51.7% was for the addition of a school resource officer. The City has entered into an interlocal agreement with the Tahoma School District which will reimburse the City for 50% of the cost

of the School Resource Officer each year. This increase was offset by a 2016 credit of $220,000 which was received by the City in June of 2017.

Transportation expenses include development, transportation planning, and street maintenance. These expenses increased $202,402 or 2.0%. The increase in transportation is largely due to a $70,333 increase in public works maintenance expenses which consists, in part, of a $20,584 increase in salaries and benefits, a $20,683 increase in allocated information technology expenses, an $8,985 increase in utility services, an increase is repairs and maintenance costs of $4,075, and an increase in the amount set aside for future equipment replacement of $7,551. The City expended $498,441 more on asphalt and miscellaneous non-capital street improvements in 2017 than in 2016. This increase was offset by a $382,181 decrease in depreciation expense resulting, in part, from a correction to asset lives which is addressed further in Note 14 to the financial statements.

Utilities and environment includes waste reduction and recycling. These expenses increased $35,843 or 29.0% in 2017. The increase was due to the inclusion of $47,877 of Lake Management expenditures, which had previously been reported as economic environment expense, offset by $12,034 of savings in the waste reduction and recycling program.

Business-type activities. As of December 31, 2017 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 $41,305 or 3.1% from $1,342,437 to $1,383,742. The increase is primarily due to an increase in surface water management fees of $34,806 and is associated with a population increase for the surface water utility and a rate increase in 2017. Operating expenses of the surface water management operation, not including depreciation, decreased $385,650 or 37.3% from $1,032,726 to $647,076. The decrease is due primarily

to drainage improvements ($183,570) and water quality retrofits ($166,048) which were completed in 2016.

The Lake Wilderness Golf Course, an 18-hole golf course with the capability of having a full service restaurant with banquet facilities, was purchased in November 2006 to save it from development. The course had traditionally been subsidized by the City each year, though in both 2015 and 2017 it generated a small surplus. 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 2017 the Lake Wilderness Golf Course operation had a program revenue increase of $654 or 0.06% from $1,032,376 to $1,033,030 along with an operating expense decrease, not including depreciation, of $45,357 or 4.2% from $1,073,920 to $1,028,563. The decrease in program expenses is due to an effort toward conservative spending and is evidenced by a $16,838 or 11.6% decrease in administrative expenses, a $12,895 or 2.2% decrease in course operation expenses, and a $20,329 or 7.7% decrease in restaurant operation expenses.

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

Governmental Funds
Fund Balances

	Beginning	Ending	Increase (Decrease)
General Fund	$ 4,999,213	$ 5,491,168	$ 491,956
Transportation Impact Fee Fund	3,327,703	4,157,502	829,799
Park Development Fund	1,971,591	2,724,454	752,864
Real Estate Excise Tax Fund	4,706,094	5,695,999	989,905
Capital Improvement Plan	1,073,362	419,974	(653,388)
Nonmajor Governmental Funds	460,779	830,934	370,156
	$ 16,538,740	**$ 19,320,031**	**$ 2,781,291**

In total, the governmental fund balances increased $2,781,291. Of the General Fund balance of $5,491,168, $4,453,985 or 81.1% is unassigned. Of the assigned amount of $994,294, $694,319 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 41.7% 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 Development 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 2017 transportation impact fees exceeded transfers out for transportation improvement projects by $829,799. Traffic impact fees combined with transfers from the Real Estate Excise Tax Fund were used to fund the transportation capital improvement projects in 2017.

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. 2017 was the seventh year for the collection of park impact fees and park impact fees exceeded transfers out for park improvement projects by $682,319. Park impact fees combined with transfers from the Real Estate Excise Tax Fund were used to fund the parks related capital improvement projects for 2017.

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 Development Fund and the Park Development Fund. It is also the primary funding source for non-transportation and non-park capital projects. In 2017 real estate excise taxes increased $274,439 or 17.2% from $1,597,864 to $1,872,303 and exceeded transfers out for capital improvement projects by $951,092.

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

	Beginning	Ending	Increase (Decrease)
Surface Water Management Fund	$ 2,698,128	$ 3,418,019	$ 719,891
Lake Wilderness Golf Course Fund	2,137	28,206	26,068
Vehicle Rental Fund	325,460	443,742	118,282
Central Services Fund	158,975	208,735	49,761
Unemployment Trust Fund	7,605	56	(7,549)
	$ 3,192,305	**$ 4,098,758**	**$ 906,453**

The increase in unrestricted net position of the Surface Water Management Fund is a result of a modest increase in Surface Water Management Fees as well as decreased spending in the Water Quality Retrofits and Miscellaneous Drainage Improvements projects compared with 2016. 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 $28,206 at the end of 2017 and required no General Fund subsidy.

The internal service funds accumulate funds for vehicle and equipment replacement and to pay unemployment claims. In 2017, the Vehicle Rental Fund increased its net position by $118,282. The Vehicle Rental Fund assets are continuing to out-live their replacement rate as the City has only six plus square miles and excellent roads. In 2017, the Central Service Fund increased its net position by $49,761. 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 2017 by $7,549. In order to increase ending net position in the Unemployment Trust Fund, transfers from the General Fund have been budgeted going forward.

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 expenditure budgets to the actual results for the year ended December 31, 2017.

General Fund
Budget Amendments

	Original Budget	Budget Amendment	Final Budget	Actual	% of Budget
General Fund	$ 13,536,278	$ 90,031	$ 13,626,309	$ 13,080,661	96%
General Government					
TrakIt/Incode Integration		7,500			
Online Permitting		64,010			
KC Aerial Mapping		6,495			
Emergency Management		2,372			
Tyler Technologies Data Conversion		38,000			
Position Reclassifications		35,928			
20th Birthday Celebration		7,500			
T28a Plant Establishment		5,200			
T38 Plant Establishment		9,200			
IT Pass-Thru Correction		6,246			
New Ariel Maps		4,000			
On-Call Electrical Contract		7,500			
KC Sheriff Contract Savings		(220,100)			
Nexus Grant & Utilities		114,680			
Make A Difference Day Grant		1,500			
		$ 90,031			

General Fund amendments in 2017 totaled $90,031 which consisted of: Integration of the financial and permitting software, $7,500; Implementation of online permitting, $64,010; aerial mapping services, $6,495; EMPG related expenditures, $2,372; finance software data conversion, $38,000; position reclassifications, $35,928; City's 20th birthday celebration, $7,500; plant establishment for two capital improvement projects, $14,400; IT expenditure allocation, $6,246; on-call electrical contract, $7,500; Police Contract savings, $(220,100); NEXUS grant, $114,680; and Make a Difference Day grant, $1,500. The General Fund's actual expenditures were 96% of its budget, a decrease from 97% in 2016. The following summarizes the General Fund's budget and actual comparison.

General Fund
Budget to Actual Comparison

	Final Budget	Actual	Variance from Final Budget	
			Final Budget	Percent
Revenue				
Taxes	$ 9,496,030	$ 9,677,908	$ 181,878	102%
Licenses & Permits	926,700	1,157,688	230,988	125%
Intergovernmental Revenue	1,097,605	1,096,709	(896)	100%
Charges for Services	1,072,238	1,354,325	282,087	126%
Fines and Forfeitures	87,885	95,574	7,689	109%
Miscellaneous Revenue	456,005	487,886	31,881	107%
	$ 13,136,463	**$ 13,870,090**	**$ 733,627**	**106%**
Expenditures				
Current				
General Government	$ 2,896,116	$ 2,652,948	$ 243,168	92%
Economic Environment	1,262,229	1,195,066	$ 67,163	95%
Mental & Physical Health	354,660	278,618	$ 76,042	79%
Culture & Recreation	2,477,158	2,545,425	$ (68,267)	103%
Public Safety	4,629,005	4,615,940	$ 13,065	100%
Transportation	1,704,828	1,597,136	$ 107,692	94%
Utilities & Environment	180,303	134,178	$ 46,125	74%
	$ 13,504,299	**$ 13,019,311**	**$ 484,988**	**96%**

Actual revenues were higher than budgeted in all categories in 2017 with the exception intergovernmental revenue which was 0.08% lower than budgeted. The positive variance with regard to taxes is primarily attributable to sales tax, utility taxes, and gambling taxes. Sales tax revenue in 2017 was $114,603 or 3.6% higher than budgeted. The City generates sales tax from both construction and non-construction activity. Utility taxes were $34,135 or 1.8% higher than budgeted and gambling taxes were $19,023 or 31.9% higher than budgeted in 2017.

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 slightly behind budget in 2017 due to the loss of City-County assistance which had been budgeted at $78,530. This loss was offset by higher than anticipated Liquor and Beer Excise Tax which was $98,711 higher than budgeted. Charges for Services were $282,087 or 26.3% higher than budgeted in 2017 due an increase in plan review fees which were $322,357 higher than

budgeted. Fines and forfeitures were 8.7% higher than budgeted and Miscellaneous Revenue was 7.0% higher than budgeted in 2017.

The primary reason for actual expenditures being 96.4% of the final budget is the conservative nature of the City's budgeting process 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.

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

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

Economic Factors and Next Year's Budgets and Rates

The City of Maple Valley's governmental activities are funded primarily by property tax and various other taxes including sales, utility, admission, and business and occupation. The City also receives revenue from state-shared revenues (i.e., liquor excise taxes, liquor profits taxes, gas taxes, etc.), development services and franchise fees, licenses, and grants from the county, state and federal governments. Users pay a fee or charge for business-type and certain governmental activities such as permitting and recreation programs.

The City Council Goals and Objectives reflect the City's commitment to economic development. City staff is working with the Economic Development Committee and Legacy Site Task Force to discuss developing plans for the 54 acre Maple Valley Legacy Place site and the Economic Development Manager position funded in the 2017-2018 Budget was filled. This position provides leadership, communication and coordination with the City Manager and other department staff for the development, recommendation and implementation of policies, programs, and procedures as well as negotiations for new development that accomplish the City Council's goals and objectives to ensure the economic health and vitality of the City.

Requests for Information

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

City of Maple Valley
Statement of Net Position
December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash & Cash Equivalents	$ 19,818,968	$ 3,227,011	$ 23,045,979
Investments	1,867,597	316,637	2,184,234
Taxes Receivable	1,027,406	-	1,027,406
Accounts Receivable	70,548	87,766	158,314
Special Assessments Receivable	39,795	-	39,795
Accrued Interest Receivable	30,280	3	30,283
Other Current Receivables	9,493	-	9,493
Due from Other Governments	388,061	12,419	400,480
Inventory	-	73,364	73,364
Prepayments	42,889	23,701	66,590
Total Current Assets	23,295,038	3,740,901	27,035,939
Noncurrent Assets:			
Capital Assets Not Being Depreciated:			
Land	216,845,046	14,162,642	231,007,689
Intangibles - Easement	314,018	-	314,018
Construction in Progress	4,968,545	-	4,968,545
Capital Assets, Net of Accumulated Depreciation and Amortization			
Buildings	7,537,369	762,768	8,300,138
Machinery & Equipment	468,968	3,947	472,914
Intangibles - Software	118,107	3,923	122,030
Intangibles - Field Rights	1,600,000	-	1,600,000
Infrastructure	130,049,176	-	130,049,176
Other Capital Assets	73,004	1,290,208	1,363,212
Total Noncurrent Assets	361,974,234	16,223,488	378,197,722
Total Assets	385,269,272	19,964,390	405,233,661
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	393,328	18,778	412,106
Total Deferred Outflows of Resources	393,328	18,778	412,106
Total Assets & Deferred Outflows of Resources	385,662,599	19,983,168	405,645,767
LIABILITIES			
Current Liabilities:			
Accounts Payable	812,186	101,830	914,016
Payroll Payable	188,594	9,292	197,886
Due to Other Governments	924,553	25,895	950,447
Taxes Payable	428	-	428
Custodial Accounts	11,213	-	11,213
Customer Deposits	695,019	12,189	707,207
Unearned Revenue	531,764	21,893	553,657
Contracts Payable	710	11,363	12,073
Compensated Absences	154,538	7,843	162,381
Accrued Interest Payable	9,183	-	9,183
Total Current Liabilities	3,328,186	190,304	3,518,490
Noncurrent Liabilities:			
Contracts & Loans - Due Within One Year	184,621	-	184,621
General Obligation Bonds - Due Within One Year	625,000	-	625,000
Contracts & Loans - Due After One Year	1,107,726	-	1,107,726
General Obligation Bonds - Due After One Year	1,918,199	-	1,918,199
Net Pension Liability	2,259,416	102,193	2,361,609
Total Noncurrent Liabilities	6,094,961	102,193	6,197,154
Total Liabilities	9,423,147	292,497	9,715,644
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Debt Refunding	41,791	-	41,791
Deferred Inflows Related to Pensions	429,155	20,957	450,112
Total Deferred Inflows of Resources	470,947	20,957	491,903
Total Liabilites and Deferred Inflows of Resources	9,894,094	313,454	10,207,548
NET POSITION			
Net Investment in Capital Assets	358,138,689	16,223,489	374,362,178
Restricted for:			
General Capital Projects	5,703,200	-	5,703,200
Park Capital Projects	2,553,359	-	2,553,359
Street Capital Projects	5,445,155	-	5,445,155
Unrestricted	3,928,103	3,446,225	7,374,327
Total Net Position	$ 375,768,506	$ 19,669,714	$ 395,438,219

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

City of Maple Valley
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General Government	$ 2,539,533	$ 27,125	$ -	$ -
Economic Environment	1,181,583	1,249,964	34,810	-
Mental & Physical Health	71,646	-	-	-
Culture & Recreation	3,267,360	2,032,802	16,397	-
Public Safety	4,667,646	435,196	65,216	-
Transportation	10,428,814	1,532,341	-	8,372,925
Utilities & Environment	159,538	68,026	51,685	-
Interest on Long-Term Debt	46,022	-	-	-
Total governmental activities	22,362,142	5,345,455	168,108	8,372,925
Business-type activities:				
Lake Wilderness Golf Course	1,092,835	1,033,030	-	-
Surface Water Management Program	687,683	1,383,742	8,070	262,517
Total Business-Type Activities	1,780,518	2,416,772	8,070	262,517
Total Primary Government	$ 24,142,660	$ 7,762,227	$ 176,178	$ 8,635,441

General revenues:
- Property Tax
- Sales Tax
- Utility Tax
- Excise Tax in Lieu of Property Tax
- Other Taxes (Real Estate Excise)
- Business & Occupation (Gambling) Tax
- Franchise Fees (Taxes)
- State Shared Revenue
- Investment Earnings
- Other Miscellaneous Revenue
- Insurance Recoveries

Transfers
- Total General Revenues, Special Items, and Transfers
  - Change in Net Position

Net Position - Beginning
- Prior Period Adjustment

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (2,512,407)	$ -	$ (2,512,407)
103,191	-	103,191
(71,646)	-	(71,646)
(1,218,160)	-	(1,218,160)
(4,167,234)	-	(4,167,234)
(523,549)	-	(523,549)
(39,826)	-	(39,826)
(46,022)	-	(46,022)
(8,475,654)	-	(8,475,654)
-	(59,805)	(59,805)
-	966,646	966,646
-	906,841	906,841
(8,475,654)	906,841	(7,568,813)
3,744,970	-	3,744,970
4,002,641	21,213	4,023,853
1,918,715	-	1,918,715
392,334	-	392,334
1,872,303	-	1,872,303
59,603	-	59,603
373,671	-	373,671
901,279	-	901,279
116,544	23,707	140,251
9,532	216	9,749
5,500	-	5,500
47,877	(47,877)	-
13,444,968	(2,741)	13,442,227
4,969,314	904,101	5,873,415
370,263,846	18,760,383	389,024,229
535,346	5,230	540,576
$ 375,768,506	$ 19,669,714	$ 395,438,219

City of Maple Valley
Balance Sheet
Governmental Funds
December 31, 2017

	General	Real Estate Excise Tax	Transportation Development
ASSETS			
Cash and Cash Equivalents	$ 5,954,165	$ 5,032,969	$ 4,035,177
Investments	586,048	495,520	397,244
Taxes Receivable	1,027,406	-	-
Accounts Receivable	45,705	-	-
Special Assessments Receivable	39,795	-	-
Accrued Interest Receivable	30,280	-	-
Other Current Receivables	9,493	-	-
Intergovernmental Receivable	131,642	167,510	-
Prepayments	42,889	-	-
Total Assets	$ 7,867,423	$ 5,695,999	$ 4,432,421
LIABILITIES			
Accounts Payable	$ 319,378	$ -	$ -
Payroll Payable	170,630	-	-
Intergovernmental Payable	923,171	-	-
Custodial Accounts	11,213	-	-
Customer Deposits	695,019	-	-
Unearned Revenue	256,845	-	274,919
Total Liabilities	2,376,254.94	-	274,919.00
FUND BALANCES (DEFICITS)			
Nonspendable			
Prepaid Items	42,889	-	-
Restricted			
1st .25% Capital Purposes	-	2,949,850	-
2nd .25% Capital Purposes	-	2,746,149	-
City Facilities	-	-	-
Drug Investigations	-	-	-
Park Capital Projects	-	-	-
Street Capital Projects	-	-	4,157,502
Transportation Infrastructure	-	-	-
Committed			
Public Art Purposes	-	-	-
Assigned			
Next Year's Budget Appropriation of Fund Balance	694,319	-	-
Offset of Projected Decline in Permitting Revenue	299,975	-	-
Unassigned	4,453,985	-	-
Total Fund Balances	$ 5,491,168	$ 5,695,999	$ 4,157,502
Total Liabilities and Fund Balances (Deficits)	$ 7,867,423	$ 5,695,999	$ 4,432,421

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

Park Development	Capital Improvement Plan	Total Nonmajor Funds	Total Governmental Funds
$ 2,480,273	$ 839,074	$ 731,745	$ 19,073,404
244,181	-	71,551	1,794,543
-	-	-	1,027,406
-	-	-	45,705
-	-	-	39,795
-	-	-	30,280
-	-	-	9,493
-	60,536	28,373	388,061
-	-	-	42,889
$ 2,724,454	$ 899,610	$ 831,669	$ 22,451,577
$ -	$ 475,935	$ 735	$ 796,048
-	2,076	-	172,706
-	916	-	924,087
-	710	-	11,923
-	-	-	695,019
-	-	-	531,764
-	479,636.83	735.00	3,131,545.77
-	-	-	42,889
-	-	-	2,949,850
-	-	-	2,746,149
-	12,750	-	12,750
-	-	93,290	93,290
2,724,454	(167,998)	-	2,556,456
-	556,196	-	4,713,698
-	-	737,644	737,644
-	19,025	-	19,025
-	-	-	694,319
-	-	-	299,975
-	-	-	4,453,985
$ 2,724,454	$ 419,974	$ 830,934	$ 19,320,031
$ 2,724,454	$ 899,610	$ 831,669	$ 22,451,577

City of Maple Valley
Reconciliation of Balance Sheet To the Statement of Net Position
December 31, 2017

Total Fund Balances of Governmental Funds		**19,320,031**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Note 6) These assets consist of:		
Non-Depreciable Capital Assets:		
Land	216,845,046	
Intabgibles-Easement	314,018	
Construction in Progress	4,968,545	
		222,127,609
Depreciable Capital Assets:		
Buildings	10,465,688	
Leasehold Improvements	76,681	
Temporary Structure	50,000	
Machinery, Equipment, and Vehicles	1,505,912	
Intangibles - Software	410,434	
Intabgibles - Field Rights	2,000,000	
Infrastructure	278,995,004	
Less: Accumulated Depreciation	(153,164,768)	
Less: Accumulated Amortization	(492,327)	
		139,846,625
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. (Notes 7 and 8)		
Accrued Interest on Contracts, Loans, and Bonds Payable	(9,183)	
Compensated Absences, Excluding the Internal Service Funds	(145,582)	
Contracts, Loans, and Bonds Payable	(3,835,545)	
Net Pension Liability, Excluding the Internal Service Funds	(2,114,216)	
		6,104,526
Some deferred inflows and outflows of resources are not reported in the funds. (Notes 8 and 11)		
Deferred Inflow on Refunding General Obligation Bonds	(41,791)	
Deferred Outflow Related to Pensions, Excluding the Internal Service Funds	365,309	
Deferred Inflow Related to Pensions, Excluding the Internal Service Funds	(397,285)	
		73,767
Unrestricted net assets of internal service funds are included in the governmental activities in the Statement of Net Position.		652,534
Net Position of Governmental Activities		**375,768,506**

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

City of Maple Valley
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Real Estate Excise Tax	Transportation Development
REVENUES			
Property Tax	$ 3,693,270	$ -	$ -
Sales Tax	4,002,641	-	-
Utility Tax	1,918,715	-	-
Gambling Tax	59,603	-	-
Excise Tax in Lieu of Property Tax	3,680	-	-
Licenses & Permits	1,157,688	-	-
Other Taxes (Real Estate Excise)	-	1,872,303	-
Intergovernmental Revenue	1,096,709	-	-
Charges for Services	1,354,325	-	1,279,653
Fines & Forfeitures	95,574	-	-
Miscellaneous Revenue	487,886	38,814	30,846
Total Revenues	13,870,090	1,911,116	1,310,499
EXPENDITURES			
Current:			
General Government	2,652,948	-	-
Economic Environment	1,195,066	-	-
Mental & Physical Health	278,618	-	-
Culture & Recreation	2,545,425	-	-
Public Safety	4,615,940	-	-
Transportation	1,597,136	-	-
Utilities & Environment	134,178	-	-
Debt service:			
Interest	-	-	-
Principal	-	-	-
Capital Outlay	61,350	-	-
Total Expenditures	13,080,661	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	789,429	1,911,116	1,310,499
OTHER FINANCING SOURCES (USES)			
Insurance Recoveries	5,500	-	-
Transfers In	49,040	-	-
Transfers Out	(352,013)	(921,211)	(480,700)
Total Other Financing Sources (Uses)	(297,473)	(921,211)	(480,700)
Net Change in Fund Balances	491,956	989,905	829,799
Fund Balances - Beginning	4,999,213	4,706,094	3,327,703
Prior Period Adjustment	-	-	-
Fund Balances - Ending	$ 5,491,168	$ 5,695,999	$ 4,157,502

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

Park Development	Capital Improvement Plan	Total Nonmajor Funds	Total Governmental Funds
$ 51,700	$ -	$ -	$ 3,744,970
-	-	-	4,002,641
-	-	-	1,918,715
-	-	-	59,603
-	-	388,654	392,334
-	-	-	1,157,688
-	-	-	1,872,303
-	77,600	-	1,174,308
1,233,792	-	-	3,867,770
-	-	-	95,574
18,845	2,541	97,288	676,220
1,304,337	80,141	485,942	18,962,125
-	-	-	2,652,948
-	-	-	1,195,066
-	-	-	278,618
-	-	-	2,545,425
-	-	32,354	4,648,293
-	583,674	-	2,180,810
-	-	-	134,178
-	95,905	-	95,905
-	789,621	-	789,621
-	1,650,260	-	1,711,611
-	3,119,460	32,354	16,232,474
1,304,337	(3,039,319)	453,589	2,729,651
-	-	-	5,500
-	2,385,931	-	2,434,971
(551,473)	-	(83,433)	(2,388,831)
(551,473)	2,385,931	(83,433)	51,640
752,864	(653,388)	370,156	2,781,291
1,971,591	1,058,854	460,779	16,524,232
-	14,508	-	14,508
$ 2,724,454	$ 419,974	$ 830,934	$ 19,320,031

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, 2017

Net Change in Fund Balances - Total Governmental Funds		**$2,781,291**
Amounts reported for governmental activities in the Statement of Net Position are different because:		
In the Statement of Revenues, Expenditures, and Changes in Fund Balances for governmental funds, non-cash contributions of capital assets from entities outside the government are not reported. In the Statement of Activities, the fair value of these assets is recorded at contribution.		
Developer Contributions - Land	3,666,739	
Developer Contributions - Infrastructure	4,644,536	
		8,311,275
In the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds report capital outlays as expenditures.		1,711,611
In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.		
General Government	(54,142)	
Economic Environment	(5,781)	
Culture and Recreation	(544,729)	
Public Safety	(22,170)	
Transportation	(8,269,538)	
Utilities and Environment	(25,360)	
		(8,921,720)
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.		
Repayment of Long-Term Debt	789,621	
Amortization of Bond Premium	33,668	
Decrease in Accrued Interest on Long-Term Debt	1,887	
Increase in Compensated Absences Payable	(30,094)	
		795,082
Certain expenditures reported in the funds either increase or decrease long-term liabilities or deferred outflows of resources reported on the Statement of Net Position and have been eliminated from the Statement of Activities.		
Pension Expense, Excluding the Internal Service Funds		116,952
Amortization of some deferred outflows of resources are not reported in the funds.		
Deferred Inflow on Refunding of GO Bonds & Annual Amortization		14,328
Internal service funds are used by the City to charge the costs of vehicle rental, central services, and unemployment insurance to individual funds. The net revenue of certain activities in internal service funds is reported with governmental activities.		
Operating Income, Excluding Depreciation/Amortization Expense	154,079	
Investment Earnings	4,679	
Transfers	1,737	
		160,495
A prior period adjustment correcting asset values and depreciation expense is included in the Statement of Revenues, Expenditures, and Changes in Fund balances but not in the Governmental Funds due to the capital nature of the adjustment.		535,346
Change in Net Position of Governmental Activities		**$ 5,504,660**

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

City of Maple Valley
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property Tax	$ 3,688,730	$ 3,688,730	$ 3,693,270	$ 4,540
Sales Tax	3,904,140	3,882,140	4,002,641	120,501
Utility Tax	1,884,580	1,884,580	1,918,715	34,135
Gambling Tax	40,580	40,580	59,603	19,023
Excise Tax in Lieu of Property Tax	-	-	3,680	3,680
Licenses & Permits	926,700	926,700	1,157,688	230,988
Intergovernmental Revenue	1,044,833	1,097,605	1,096,709	(896)
Charges for Services	1,072,238	1,072,238	1,354,325	282,087
Fines & Forfeitures	87,885	87,885	95,574	7,689
Miscellaneous Revenue	456,005	456,005	487,886	31,881
Total Revenues	13,105,691	13,136,463	13,870,090	733,627
EXPENDITURES				
Current:				
General Government	2,972,130	2,896,116	2,652,948	243,168
Economic Environment	912,551	1,262,229	1,195,066	67,163
Mental & Physical Health	239,980	354,660	278,618	76,042
Culture & Recreation	2,459,430	2,477,158	2,545,425	(68,267)
Public Safety	4,843,616	4,629,005	4,615,940	13,065
Transportation	1,806,258	1,704,828	1,597,136	107,692
Utilities & Environment	180,303	180,303	134,178	46,125
Total Current Expenditures	13,414,268	13,504,299	13,019,311	484,988
Capital Outlay	122,010	122,010	61,350	60,660
Total Expenditures	13,536,278	13,626,309	13,080,661	545,648
Excess (Deficiency) of Revenues Over (Under) Expenditures	(430,587)	(489,846)	789,429	1,279,275
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	-	5,500	5,500
Transfers In	78,480	79,643	49,040	(30,603)
Transfers Out	(472,218)	(526,618)	(352,013)	174,605
Total Other Financing Sources (Uses)	(393,738)	(446,975)	(297,473)	149,502
Net Change in Fund Balances	(824,325)	(936,821)	491,956	1,428,777
Fund Balances - Beginning	4,999,213	4,999,213	4,999,213	-
Fund Balances - Ending	$ 4,174,888	$ 4,062,392	$ 5,491,168	$ 1,428,777

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

City of Maple Valley
Transportation Development
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for Services	$ 662,010	$ 662,010	$ 1,279,653	$ 617,643
Miscellaneous Revenue	19,000	19,000	30,846	11,846
Total Revenues	681,010	681,010	1,310,499	629,489
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,198,149)	(1,198,149)	(480,700)	717,449
Total Other Financing Sources (Uses)	(1,198,149)	(1,198,149)	(480,700)	717,449
Net Change in Fund Balances	(517,139)	(517,139)	829,799	1,346,938
Fund Balances - Beginning	3,327,703	3,327,703	3,327,703	-
Fund Balances - Ending	$ 2,810,564	$ 2,810,564	$ 4,157,502	$ 1,346,938

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

City of Maple Valley
Park Development
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property Tax	$ 22,050	$ 22,050	$ 51,700	$ 29,650
Charges for Services	244,760	244,760	1,233,792	989,032
Miscellaneous Revenue	6,770	6,770	18,845	12,075
Total Revenues	273,580	273,580	1,304,337	1,030,757
OTHER FINANCING SOURCES (USES)				
Transfers Out	(150,830)	(801,780)	(551,473)	250,307
Total Other Financing Sources (Uses)	(150,830)	(801,780)	(551,473)	250,307
Net Change in Fund Balances	122,750	(528,200)	752,864	1,281,064
Fund Balances - Beginning	1,971,591	1,971,591	1,971,591	-
Fund Balances - Ending	$ 2,094,341	$ 1,443,391	$ 2,724,454	$ 1,281,064

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

City of Maple Valley
Real Estate Excise Tax
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Other Taxes (Real Estate Excise)	$ 1,513,100	$ 1,513,100	$ 1,872,303	$ 359,203
Miscellaneous Revenue	14,950	14,950	38,814	23,864
Total Revenues	1,528,050	1,528,050	1,911,116	383,066
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,403,935)	(1,403,935)	(921,211)	482,724
Total Other Financing Sources (Uses)	(1,403,935)	(1,403,935)	(921,211)	482,724
Net Change in Fund Balances	124,115	124,115	989,905	865,790
Fund Balances - Beginning	4,706,094	4,706,094	4,706,094	-
Fund Balances - Ending	$ 4,830,209	$ 4,830,209	$ 5,695,999	$ 865,790

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

City of Maple Valley
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities			Governmental Activities
	Surface Water Management Program	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 3,191,336	$ 35,675	$ 3,227,011	$ 745,564
Investments	314,178	2,459	316,637	73,053
Accounts Receivable	87,766	-	87,766	24,844
Accrued Interest Receivable	-	3	3	-
Intergovernmental Receivable	12,419	-	12,419	-
Inventory	-	73,364	73,364	-
Prepayments	23,701	-	23,701	21,811
Total Current Assets	3,629,400	111,501	3,740,901	865,272
Noncurrent Assets:				
Land	11,882,425	2,280,218	14,162,642	-
Buildings	18,245	1,040,000	1,058,245	-
Machinery & Equipment	-	234,822	234,822	1,167,668
Intangibles	6,538	-	6,538	410,433
Other Capital Assets	1,128,379	1,013,977	2,142,356	-
Less: Accumulated Depreciation	(491,220)	(889,895)	(1,381,115)	(857,714)
Less: Accumulated Amortization	-	-	-	(292,326)
Total Noncurrent Assets	12,544,366	3,679,122	16,223,488	428,062
Total Assets	16,173,766	3,790,624	19,964,390	1,293,334
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	18,451	327	18,778	28,018
Total Deferred Outflows of Resources	18,451	327	18,778	28,018
Total Assets and Deferred Outflows of Resources	16,192,217	3,790,950	19,983,168	1,321,352
LIABILITIES				
Current Liabilities:				
Accounts Payable	57,642	44,188	101,830	16,138
Payroll Payable	9,292	-	9,292	15,888
Intergovernmental Payable	22,765	3,130	25,895	894
Custodial Accounts	11,363	-	11,363	-
Unearned Revenue	-	34,081	34,081	21,811
Compensated Absences Payable	7,843	-	7,843	8,956
Total Current Liabilities	108,905	81,399	190,304	63,686
Noncurrent Liabilities:				
Net Pension Liability	100,327	1,866	102,193	145,200
Total Noncurrent Liabilities	100,327	1,866	102,193	145,200
Total Liabilities	209,232	83,265	292,497	208,886
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	20,599	358	20,957	31,870
Total Deferred Inflows of Resources	20,599	358	20,957	31,870
Total Liabilities and Deferred Inflows of Resources	229,831	83,623	313,454	240,757
NET POSITION				
Net Investment in Capital Assets	12,544,367	3,679,122	16,223,489	428,062
Unrestricted	3,418,019	28,206	3,446,225	652,533
Total Net Position	$ 15,962,386	$ 3,707,328	$ 19,669,714	$ 1,080,595

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

City of Maple Valley
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities			Governmental Activities
	Surface Water Management Program	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Surface Water Management Fees	$ 1,373,667	$ -	$ 1,373,667	$ -
Golf Operations	-	806,912	806,912	-
Restaurant Operations	-	247,562	247,562	-
Other Services	10,075	-	10,075	1,441,897
Total Operating Revenues	1,383,742	1,054,474	2,438,216	1,441,897
OPERATING EXPENSES				
Cost of Services	647,076	1,028,563	1,675,639.09	1,287,818
Depreciation & Amortization	40,607	64,272	104,879	165,213
Total Operating Expenses	687,683	1,092,835	1,780,518	1,453,031
Operating Income (Loss)	696,059	(38,361)	657,698	(11,134)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental Revenue	8,070	-	8,070	-
Investment Earnings (Expense)	23,535	172	23,707	4,680
Other Nonoperating Revenue (Expense)	-	(15)	(15)	-
Total Nonoperating Revenues (Expenses)	31,605	157	31,762	4,680
Income (Loss) Before Contributions and Transfers	727,664	(38,204)	689,460	(6,455)
Capital Contributions	262,517	-	262,517	-
Transfers In	-	-	-	2,900
Transfers Out	(47,877)	-	(47,877)	(1,163)
Change in Net Position	942,305	(38,204)	904,101	(4,718)
Total Net Position - Beginning	15,014,851	3,745,532	18,760,383	1,067,972
Prior Period Adjustment	5,230	-	5,230	17,341
Total Net Position - Ending	$ 15,962,386	$ 3,707,328	$ 19,669,714	$ 1,080,595

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

City of Maple Valley
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management Program	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to Suppliers	$ (628,226)	$ (1,027,758)	$ (1,655,984)	$ (1,301,373)
Cash Received from User Departments	-	-	-	1,417,053
Cash Receipts from Customers	1,366,484	1,049,762	2,416,246	-
Cash Other	(5,230)	-	(5,230)	(39,301)
Net Cash Provided (Used) by Operating Activities	733,027	22,004	755,031	76,380
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Revenue	8,070	-	8,070	-
Transfers to Other Funds	(47,877)	-	(47,877)	1,737
Net Cash Provided (Used) by Noncapital Financing Activities	(39,807)	-	(39,807)	1,737
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Assets Purchased for Own Use	4,730	-	4,730	39,301
Net Cash Provided (Used) by Capital and Related Financing Activities	4,730	-	4,730	39,301
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	-	-	-	(73,162)
Proceeds from Investment Maturities	(314,638)	(2,453)	(317,092)	-
Interest on Investments	23,535	154	23,689	4,680
Net Cash Provided (Used) by Investing Activities	(291,103)	(2,299)	(293,402)	(68,482)
Net Increase (Decrease) in Cash and Cash Equivalents	406,848	19,704	426,552	48,935
Balances - Beginning of Year	2,784,489	15,971	2,800,459	696,629
Balances - End of the Year	$ 3,191,336	$ 35,675	$ 3,227,011	$ 745,564
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income	$ 696,059	$ (38,361)	$ 657,698	$ (11,134)
Changes in Assets and Liabilities:				
Change in Accumulated Depreciation	35,377	64,272	99,648	74,950
Change in Accumulated Amortization	-	-	-	50,963
Change of Receivables (Net of Uncollectibles)	(2,449)	-	(2,449)	(24,844)
Changes in Due from Other Governments	7,967	-	7,967	-
Change in Inventory	-	(1,324)	(1,324)	-
Change in Prepaid Items	(22,776)	-	(22,776)	10,827
Change in Accounts Payable	(10,695)	(284)	(10,979)	(1,578)
Change in Payroll Payable	4,257	-	4,257	3,503
Change in Due to Other Governments	18,128	1,015	19,143	(10,019)
Change in Deposits & Unearned Revenue	-	(3,388)	(3,388)	(10,827)
Change in Compensated Absences Payable	4,822	-	4,822	(3,636)
Change in Net Pension Liability	(15,855)	(237)	(16,092)	(30,831)
Change in Deferred Outflows of Resources	3,487	49	3,536	6,905
Change in Deferred Inflows of Resources	14,707	262	14,969	22,102
Net Cash Provided (Used) by Operating Activities	$ 733,027	$ 22,004	$ 755,031	$ 76,380

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

B. GENERAL ACCOUNTING STANDARDS

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

Since the issuance of the *Codification*, GASB has issued other statements that amend, clarify or provide certain specific guidance on governmental financial reporting. The City has reviewed all applicable statements through GASB Statement No. 82, *Pension Issues*, the last statement that has a 2017 effective date, and has implemented those that apply.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City of Maple Valley. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent, on fees and charges for support.

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

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function;

and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes are reported as *general revenues* along with other revenues not properly included as program revenues.

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

E. ACCOUNTING SYSTEM

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

GOVERNMENTAL FUNDS

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

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

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

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

BUSINESS-TYPE FUNDS

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

- **Surface Water Management Fund** – to account for the revenue generated by surface water management fees and their expenditure for surface water operating and capital purposes. At this time there is no outstanding debt, but a policy decision has been made to recover all direct costs.
- **Lake Wilderness Golf Course Fund** – to account for the revenue generated by golf and restaurant charges and their expenditure for Lake Wilderness Golf Course operating and capital purposes. The City acquired the golf course with cash on November 30, 2006 to save the land from development. The City has an agreement with Premier Golf Centers LLC to manage the facility through December 31, 2018.

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 balances to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action is not usually required for the removal of an assignment.

Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. INTERNAL CONTROL SYSTEM

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

B. BUDGET AND SPENDING CONTROL

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

The City of Maple Valley did not use encumbrance accounting in 2017. Governmental funds require expenditure budgetary control when compared to the annual budget. Unexpended budgeted amounts lapse at year-end unless specifically re-appropriated by Council action, which is typically only for capital projects. Proprietary funds require budgetary control at the revenue over (under) expenditure level, including transfers in from other funds and excluding depreciation.

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

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

NOTE 3 CASH AND INVESTMENTS

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

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

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. This measurement is done at the end of the reporting period. The LGIP is considered to be an extremely low risk investment. The pool is unrated by financial rating agencies. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASB Statement 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. LGIP Interest rates ranged from 0.63% to 1.28% in 2017. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The LGIP is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The City's position in the pool is the same as the value of the shares.

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

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All City deposits are insured by Federal Depository Insurance

(FDIC) up to $250,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (WPDPC) of the State of Washington.

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

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

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

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

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

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

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

The following summarizes the City's cash and investment activity at December 31, 2017.

	Beginning Balance	Receipts and Investments Purchased	Disbursements and Investments Sold	Ending Balance
Cash & Cash Equivalents				
Petty Cash	$ 19,241	$ 2,000	$ 741	$ 20,500
Demand Deposits	6,619,393	22,835,625	22,201,656	7,253,361
Investments (LGIP)	12,402,456	5,542,979	2,173,318	15,772,118
Total Cash & Cash Equivalents	**$ 19,041,090**	**$ 28,380,605**	**$ 24,375,715**	**$ 23,045,979**
Investments (Level 1)				
Other Investments (Gov. Agency)	$ 1,036,576	$ 2,184,234	$ 1,036,576	$ 2,184,234
Total Investments	**$ 1,036,576**	**$ 2,184,234**	**$ 1,036,576**	**$ 2,184,234**

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

	Amortized Cost	Fair Value
Other Investments		
U.S. Government Securities	**$ 2,200,888**	**$ 2,184,234**

NOTE 4 RECEIVABLES AND OTHER SHORT-TERM ASSETS

Receivable and other short-term asset amounts at year-end totaled $1,805,726, down $416,506 from the prior year amount of $2,222,232. The decrease is related to a substantial decrease in due from other governments in 2017. 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.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Receivables (net of uncollectibles)						
Taxes	$ 1,027,406	$ 1,022,808	$ -	$ -	$ 1,027,406	$ 1,022,808
Accounts	70,548	102,312	87,766	85,316	158,314	187,628
Special Assessments	39,795	-	-	-	39,795	-
Accrued Interest	30,280	15,092	3	-	30,283	15,092
Other Current	9,493	-	-	-	9,493	-
Due from Other Gov'ts	388,061	862,834	12,419	20,385	400,480	883,219
Inventory	-	-	73,364	72,040	73,364	72,040
Prepaid Items	42,889	40,520	23,701	925	66,590	41,445
Total Receivables & Short-term Assets	**$ 1,608,473**	**$ 2,043,567**	**$ 197,252**	**$ 178,666**	**$ 1,805,726**	**$ 2,222,232**

The taxes receivable amount of $1,027,406 is categorized as follows: property taxes, $52,011; sales taxes, $605,867; utility taxes, $243,709; gambling taxes, $22,249; and franchise fees $103,570. The property taxes are billed and collected by King County and remitted to the City daily as collected. Of the property taxes receivable amount, 70.3% is from 2017 delinquencies, with 29.7% 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 2018.

Of the accounts receivable amount of $158,314, 44.6% or $70,548 was in governmental activities for receivables from individuals, businesses, and developers and 55.4% or $87,766 was in business-type activities which is for surface water management fees. The accounts receivable in governmental activities were $45,705 in overspent developer deposits and $24,843 internal services receivable. The City establishes deposit accounts for developer projects. When charges exceed the deposit amounts, the developers are billed. If developer receivables are not collected, the developer projects are put on hold. In business-type activities, surface water management fee receivables are billed by King County with the property tax billing and are usually highly collectible.

The remaining receivables are comprised of $39,795 in settlement receivables from the Lake Management District and the Crosson right-of way lien, $30,283 for accrued interest, and $9,493 due from others for items such as annual fire permits and the maintenance facility lease. 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 $467.72 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.

The due from other governments amount of $400,480 is categorized as follows: from the State of Washington, $28,373; from King County, 189,517; from the City of Kent, $15,232, from the City of Enumclaw, $578, and from other governments, $166,780. Of the amount due from the State of Washington, $28,373 is for vehicle excise taxes collected by the State in December 2017 and remitted to the City in January 2018. Of the amount due from King County, $167,511 is for real estate excise taxes, collected by the County in December 2017 and remitted to the City in January 2018. $12,419 is due from King County for surface water management fees collected by them but not yet remitted to the City. $9,587 is due from King County for 2017 property taxes paid in 2017 but remitted to the City in January of 2018. 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 $166,780 due from other governments, $4,088 is due from the City of Covington and $3,131 is due from the City of Black Diamond for inspection services completed in 2017 under the interlocal agreement; $88,916 is due from Tahoma School District for their portion of the School Resource Officer; $10,110 is due from the Port of Seattle for Economic Development grant, but not yet remitted to the City; and $60,535 is a grant reimbursement due from the Department of Transportation.

In business-type activities, the inventory amount of $73,364 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 $66,590, which include both government-type and business-type activities, relate to 2018 costs required to be paid prior to the end of 2017; this is made up predominantly of the building rental for City Hall, trainings, and memberships for 2018 and beyond.

NOTE 5 INTERFUND ACTIVITY

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

The following table shows 2017 interfund transfers, excluding Internal Service Fund activity:

	Transfers	
	In	Out
General Fund	$ 49,040	$ 352,013
Transportation Development Fund	-	480,700
Park Development Fund	-	551,473
Real Estate Excise Tax Fund	-	921,211
Transportation Benefit Special Revenue Fund	-	83,433
Capital Improvement Plan Fund	2,385,931	-
Surface Water Management Fund	-	47,877
Unemployment Fund	2,900	-
Central Services Fund	-	1,163
	$ 2,437,871	**$ 2,437,871**

The General Fund received transfers-in amounting to $49,040. Of this amount, $47,877 was from the Surface Water Management Fund to fund lake management expenditures. The remaining $1,163 was a transfer from the Central Services fund to move asset replacement reserves to the General Fund; assets costing less than $500 are no longer included in the replacement reserve in the Central Services Fund beginning in 2017.

The Capital Improvement Plan Fund received transfers of $2,385,931 as funds were budgeted and expended for capital projects: from the General Fund, $349,113; from the Transportation Development Fund, $480,700; from the Park Development Fund, $551,474; from the Real Estate Excise Tax Fund, $921,211; and from the Transportation Benefit Special Revenue Fund, $83,433.

The Unemployment Trust Fund received a transfer of $2,900 from the General Fund to fund claimant payments.

NOTE 6 CAPITAL ASSETS

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

The City defines capital assets as items of a capital nature with a useful life of more than one year and a cost of more than $5,000. If purchased or constructed, such capital assets are recorded at cost. Donated

capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as construction in progress until the projects are completed. The table that follows summarizes the City's capital asset activity during 2017.

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Governmental Activities					
Capital Assets not being depreciated					
Land	$ 212,953,770	$ 3,891,275	$ -	$ -	$ 216,845,045
Intangibles-Easement	314,018	-	-	-	314,018
Construction in Progress	4,074,357	1,375,363	(481,175)	-	4,968,545
Total	**217,342,145**	**5,266,638**	**(481,175)**	**-**	**222,127,608**
Capital Assets being depreciated					
Buildings	10,415,216	-	50,472	-	10,465,688
Improvements Other Than Buildings	273,996,083	4,694,897	430,703	-	279,121,683
Machinery & Equipment	276,893	61,350	-	-	338,243
Machinery & Equipment (IS Funds)	1,189,627	-	-	(21,959)	1,167,668
Intangibles-Field Rights	2,000,000	-	-	-	2,000,000
Intangibles (IS Funds)	410,433	-	-	-	410,433
Total	**288,288,253**	**4,756,248**	**481,175**	**(21,959)**	**293,503,716**
Accumulated Depreciation					
Buildings	(2,666,584)	(261,735)	-	-	(2,928,319)
Improvements Other Than Buildings	(140,729,558)	(8,269,945)	-	-	(148,999,503)
Machinery & Equipment	(154,403)	(24,827)	-	-	(179,230)
Machinery & Equipment (IS Funds)	(765,423)	(114,250)	-	21,959	(857,714)
Intangibles-Field Rights	(200,000)	(200,000)	-	-	(400,000)
Intangibles (IS Funds)	(241,363)	(50,963)	-	-	(292,326)
Total	**(144,757,331)**	**(8,921,720)**	**-**	**21,959**	**(153,657,091)**
Net Capital Assets being depreciated	**143,530,922**	**(4,165,472)**	**481,175**	**-**	**139,846,625**
Governmental Activities, Net Capital Assets	**$ 360,873,067**	**$ 1,101,166**	**$ -**	**$ -**	**$ 361,974,233**
Business-type Activities					
Capital Assets not being depreciated					
Land	$ 13,899,626	$ 263,017	$ -	$ -	$ 14,162,642
Total	**13,899,626**	**263,017**	**-**	**-**	**14,162,642**
Capital Assets being depreciated					
Buildings	1,058,245	-	-	-	1,058,245
Improvements Other Than Buildings	2,142,356	-	-	-	2,142,356
Machinery & Equipment	234,822	-	-	-	234,822
Intangibles	6,538	-	-	-	6,538
Total	**3,441,961**	**-**	**-**	**-**	**3,441,961**
Accumulated Depreciation					
Buildings	(267,790)	(27,686)	-	-	(295,477)
Improvements Other Than Buildings	(780,210)	(71,938)	-	-	(852,148)
Machinery & Equipment	(226,929)	(3,947)	-	-	(230,876)
Intangibles	(1,308)	(1,308)	-	-	(2,615)
Total	**(1,276,237)**	**(104,878.59)**	**-**	**-**	**(1,381,115)**
Net Capital Assets being depreciated	**2,165,725**	**(104,879)**	**-**	**-**	**2,060,846**
Business-type, Net Capital Assets	**16,065,350**	**158,138**	**-**	**-**	**16,223,488**
Grand Total	**$ 376,938,417**	**$ 1,259,304**	**$ -**	**$ -**	**$ 378,197,721**

In 2017 the City had a net capital asset increase of $1,259,304. The amount reflects the fact that capital asset additions of $10,285,903 are offset by increases in accumulated depreciation of $9,026,599.

The net additions to land of $3,891,275 represent developer contributions of $3,666,739 from the Edgestone 1, Edgestone 2, Canton Crossing, and South Fork developments as well as a $224,536 community park acquisition.

The additions to construction in progress totaled $1,375,363 for seventeen capital projects for which the City made expenditures in 2017. The four significant transportation projects were the Witte Rd – SE 249th Pl to S City Limits, $70,651, SR 169 – Witte Rd to SE 244th St, $409,101, 244th Ave SE Shared Use Path, $94,221, and the SR 516 & 218th Ave SE Intersection Improvements, $86,002. The four significant parks and recreation projects were the Summit Ballfields, $167,025, Beach House Remodel, $213,066, Lake Wilderness Park Playground Equipment, $182,887, and the Lake Wilderness Lodge Remodel, $50,472. Also in 2017, other minor construction in progress expenditures totaling $101,938 were spent on a variety of transportation, parks, and facilities projects.

Net additions to improvements other than buildings of $4,694,897 include $4,644,536 of improved street lane miles dedicated to the City by developers, $50,000 for a mobile home located on the park property acquired in 2017, as well as $361 of additional capital expense for the Witte Rd – SR 169 to SE 240th St project which was substantially completed in 2016.

Machinery and equipment additions in governmental funds totaled $61,350. The purchases included $52,755 for a 2009 Ford F550 Boom Truck as well as $8,595 for an air compressor for the Public Works Maintenance Facility. There were no additions to machinery and equipment in the business-type funds.

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

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

The 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.

	Governmental Funds	Internal Service Funds	Total
General Government	$ 8,884	$ 45,258	$ 54,142
Economic Environment	-	5,781	5,781
Culture & Recreation	514,865	29,863	544,729
Public Safety	12,027	10,144	22,170
Transportation	8,220,731	48,806.82	8,269,538
Utilities & Environment	-	25,360	25,360
	$ 8,756,507	**$ 165,213**	**8,921,720**
Proprietary Fund Depreciation			**104,879**
Total Depreciation			**$ 9,026,599**

A prior period adjustment correcting asset lives and accumulated depreciation of some capital assets is detailed in Note 14.

NOTE 7 PAYABLES AND OTHER SHORT-TERM LIABILITIES

Payables and other short-term liabilities at year-end totaled $3,518,490, up $1,061,404 from the prior year amount of $2,457,086. The majority of the increase is in due to other governments and 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.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Accounts Payable	$ 984,588	$ 879,820	$ 101,830	$ 124,173	$ 1,086,418	$ 1,003,993
Payroll Payable	16,192	151,913	9,292	5,035	25,484	156,948
Due to Other Gov'ts	924,981	278,638	25,895	6,751	950,875	285,389
Deposits and Unearned Revenue	1,238,705	831,118	45,445	37,469	1,284,150	868,587
Compensated Absences	154,538	128,080	7,843	3,021	162,381	131,101
Accrued Interest Payable	9,183	11,069	-	-	9,183	11,069
Total Payables & Short-term Liabilities	**$ 3,328,186**	**$ 2,280,638**	**$ 190,304**	**$ 176,449**	**$ 3,518,490**	**$ 2,457,086**

The accounts payable balance of $914,016 is primarily related to various expenditures in the General Fund where the work was performed or goods delivered prior to year-end but payment was not made until early the following year. The expense for these items is included in 2017 with a corresponding accounts payable accrual. The payroll payable balance of $197,886 is related to the accrued liability for salaries and wages earned in 2017 but not paid until 2018. The due to other government's balance of $950,875 is primarily due to payables at year-end for police services as well as amounts due to State of Washington, King County, City of Kent, the Department of Retirement Systems, and others at year-end.

The deposits and unearned revenue increase of $415,563 is predominately related to more developer deposits received in 2017 for new residential developments being submitted. At year-end the account category totaled $1,284,150 and was made up of the following components: developer deposits of $687,969; lease deposit for Recology CleanScapes $450; Lake Wilderness Lodge deposits and unearned revenue, $129,842; Recreation Programs unearned revenue, $93,300; Lake Management District fees, $82; donations for recreation scholarships, $508; Crosson judgement of $39,713; and Lake

Wilderness Golf Course deposits and unearned revenue, $34,081. 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 $274,919 is for amounts collected from developers for their portion of the cost of future transportation improvement projects. Retainage payable totaling $12,073 to be paid to contractors at the completion of capital projects. The remaining $11,213 is made up of banking fees, event insurance, and bid deposits.

The developer deposits are collected from applicants at the beginning of a development project. The amount increased $240,196 from the 2016 amount of $447,773 to $687,969 due to initial deposits being expended as projects progress. 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 of $129,842 is for rental deposits collected in 2017 for events to be held in 2018 or later. Unearned revenue for the Lake Wilderness Golf Course is for memberships, $9,852; tournament and banquet deposits, $12,188 and gift cards, $12,041.

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 $132,956 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 $19,300. The City also accrues the cost of benefits for accumulated compensated absences. The benefit accrual was $10,125 in 2017. 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, 2017 to December 31, 2017 on the City's general obligation bonds, $5,952, and the interest due from July 1, 2016 to December 31, 2016 on the City's contracts and loans payable, $3,231

NOTE 8 LONG-TERM LIABILITIES

Long-term liabilities totaled $6,197,155 at year-end. This was a $1,362,371 decrease from the 2016 balance of $7,559,526. All of the City's long term debt is associated with governmental activities, but beginning in 2015 the City has reported its proportionate share of the Public Employees' Retirement System's (PERS) Net Pension Liability as a long-term liability in both the governmental activities and business type activities. The following is a comparative table summarizing long-term liability amounts for the current and prior year.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Contracts & Loans - Current	$ 184,621	$ 184,621	$ -	$ -	$ 184,621	$ 184,621
General Obligation Bonds - Current	625,000	605,000	-	-	625,000	605,000
Contracts & Loans Payable	1,107,726	1,292,347	-	-	1,107,726	1,292,347
GO Bonds Payable	1,918,199	2,576,867	-	-	1,918,199	2,576,867
Total Long-term Liabilities	**3,835,546**	**4,658,835**	**-**	**-**	3,835,546	4,658,835
Net Pension Liability	2,259,416	2,782,406	102,193	118,285	2,361,609	2,900,691
Total Long-term Liabilities	**$ 6,094,962**	**$ 7,441,241**	**$ 102,193**	**$ 118,285**	**$ 6,197,155**	**$ 7,559,526**

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 inflow of $80,000 offset by prior year amortization of $23,881 and current year amortization of $14,328 resulting in a year-end balance of $41,791.

In addition to bonded debt, the City had State infrastructure loans payable of $1,292,347 at December 31, 2017. State infrastructure loans outstanding are for two projects: the SR 169 – SR 516 to SE 264th Street project and the SR 516 – 228th Avenue to Witte Road project. The City began borrowing funds for both projects in 2005. The final borrowing was done in 2008. Final interest rate on the loans was determined in 2009. Because the City had a 15% match, it qualified for the lowest interest rate, 0.5%.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
State Infrastructure Loan	$ 1,476,968	$ -	$ 184,621	$ 1,292,347	$ 184,621
GO Bonds	3,181,867	-	638,668	2,543,199	625,000
Total Long-term Debt	**$ 4,658,834**	**$ -**	**$ 823,289**	**$ 3,835,547**	**$ 809,621**

Total long-term debt of $3,835,546 includes the principal amount of $3,737,347 and the unamortized premium of $98,199. The remaining debt service schedule to maturity for the general obligation loans and bonds is shown in the table below.

	2014 Councilmanic GO Bonds			2015 Refunding GO Bonds		
Year	Principal	Interest	Balance	Principal	Interest	Balance
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	165,000	11,730	345,000	-	-	-
2022	170,000	7,935	175,000	-	-	-
2023-24	175,000	4,025	-	-	-	-
	$ 990,000	**$ 81,190**	**$ 1,071,190**	**$ 1,455,000**	**$ 103,200**	**$ 1,558,200**

	2005 Loan - SR 516 - Witte to 228th			2005 Loan - SR 169 - SR 516 to 264th		
Year	Principal	Interest	Balance	Principal	Interest	Balance
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	75,356	1,507	226,067	109,265	2,185	327,796
2022	75,356	1,130	150,712	109,265	1,639	218,530
2023-24	150,712	1,130	75,356	218,530	1,639	109,265
	$ 527,490	**$ 10,550**	**$ 538,040**	**$ 764,856**	**$ 15,297**	**$ 780,153**

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

	Governmental Activities		
Year	Principal	Interest	Total
2018	$ 809,621	$ 77,882	$ 887,503
2019	829,621	59,294	888,915
2020	849,621	40,141	889,761
2021	349,621	15,422	365,043
2022	354,621	10,704	365,325
2023-24	544,242	6,794	551,036
Total	**$ 3,737,347**	**$ 210,237**	**$ 3,947,584**

On August 25, 2014, and again on April 10, 2015, Standard and Poor's Rating Services confirmed the AA+ underlying rating on these bonds. The AA+ bond rating was further affirmed on March 23, 2017 by the City's most recent bond rating by Standard and Poor's.

The City's Net Pension Liability of $2,361,609 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, 2017. The total liability is made up of $2,259,416 or 95.7% in governmental activities and $102,193 or 4.3% in business-type activities. More information on the Net Pension Liability and its calculation is included in Note 11.

In addition to the above debt, the City has other potential long term liabilities related to a non-cancelable operating lease for City Hall. The City's lease for City Hall expires December 31, 2022. For the year-ended December 31, 2017, the City expended $351,748 for its office space lease up from the prior year amount of $347,846. With respect to the City Hall lease, annual expenditures will increase at 2% a year plus or minus adjustments in the common area maintenance charges through December 31, 2022. The future minimum lease payments are as follows:

City Hall Lease

Year	Minimum Lease Payment
2018	$ 340,773
2019	345,858
2020	351,046
2021	356,339
2022	361,735
2023-24	-
Total	**$ 1,755,750**

The above amounts assume the current level of charges for common area maintenance of $7,419 per month.

NOTE 9 NET POSITION

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

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

- Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority. This formal action is the passage of an ordinance by City Council creating, modifying, or rescinding an appropriation.
- Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. The City Council may assign fund balance by express action through an Ordinance or Resolution, or the Finance Director may with delegated authority from the City Council through a budget Ordinance.
- Unassigned fund balance is the residual amount of the general fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

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

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 $42,889 for prepaid expenses, predominately for memberships and trainings in 2018; an amount assigned for the appropriation of fund balance for the subsequent year of $694,319; 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, 2017, General Fund's assigned and unassigned fund balance was 41.7% of 2017 General Fund expenditures.
The Special Revenue Funds are restricted by State legislation which requires the segregation of resources for specific purposes. When these funds are combined and consolidated to produce the basic financial statements, the segregations are maintained by restricting the fund equities.

- Unspent Transportation Development funds are transportation impact fees and contributions from developers restricted for street capital purposes;
- Unspent Park Development funds are park impact fees, special property tax levies, and contributions from developers restricted for open space and park capital purposes;
- Unspent Real Estate Excise Tax funds are real estate excise taxes restricted for capital purposes;
- Unspent Transportation Benefit funds are vehicle excise tax fees restricted for transportation infrastructure;
- Unspent Drug Seizure funds are required by State law to be separately accounted for and used exclusively for controlled substance law enforcement, DUI enforcement, etc.; and

- Unspent funds in the Capital Improvement Plan fund are restricted for street, parks, and City facilities capital projects and a portion is committed by City Council for public art purposes.

The net position on the proprietary fund financial statements is divided into two categories:
1. Net investment in capital assets less associated debt;
2. 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 1st, the City Council establishes the property tax levy amount for the following calendar year. The maximum allowable levy is established by increasing the highest levy of the last three years by no more than the lesser of 1% or the rate of inflation as measured by the implicit price deflator (IPD) as of September of each year, adding the value of new construction at the prior year's levy rate, and adding any unused banked capacity created by not levying the maximum amount in previous years. At the present time the City has no unused banked capacity. Once the levy amount is determined, it is divided by the assessed value to determine a levy rate. The levy rate must be below the maximum regular property tax levy rate as established by State law, except that levies approved by the voters can exceed the maximum regular property tax levy.

For all cities in Washington, the maximum regular property tax levy rate is $3.60 per thousand dollars of assessed value. This maximum amount is not entirely available to the City of Maple Valley as it has separate fire or library districts serving its residents. At incorporation, the citizens of Maple Valley voted to annex to both Fire District No. 43 and the King County Library District, with maximum regular property tax levy rates of $1.50 and $.50, respectively. For 2017, 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 $1.04 per thousand dollars of assessed valuation.

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

Tax bills are mailed on February 14th and are due on April 30th. Payments may be made in two equal installments by April 30th and October 31st, but if the first half is not paid by April 30th, the full amount becomes delinquent with penalties and interest being applied. Payments are made to the County

Treasurer who segregates collections by taxing district for distribution to taxing districts by automated clearinghouse within a few days of receipt.

For 2017 property taxes, the City's final revised levy was $3,687,754, up $74,224 or 2.1% from the 2016 revised levy of $3,613,530. The levy amount produced a City levy rate of $1.04 per thousand dollars of assessed valuation, down from $1.19 the previous year. Of the revised levy amount for 2017, only $52,011 or 1.41% remained outstanding at December 31, 2017. Of that $52,011, the outstanding amount for all levies prior to 2017 is $15,440. 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 hours of vacation leave and 96 hours of sick leave annually. Vacation leave can be accumulated to a maximum of one year's accrual and used after a six-month trial service period. Sick leave can be accumulated in an unlimited amount but is only paid out at retirement 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, 2017 is $162,381, up from the 2016 amount of $131,102. Of the total $162,381, $19,300 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:

	2017	2016	2015
Total Payroll	$ 3,714,348	$ 3,649,487	$ 3,329,629
PERS Payroll	$ 3,390,930	$ 3,196,613	$ 2,827,760

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:

	2017	2016	2015
Medicare portion of Social Security			
Employer Contributions	$ 52,845	$ 52,027	$ 46,261
Employee Contributions	52,845	52,542	46,261
Total Medicare conributions	105,690	104,569	92,522
Substitute Social Security Plan (401(a))			
Employer Contributions	193,147	218,686	185,359
Employee Contributions	230,290	226,376	201,580
Total 401(a) conributions	423,436	445,062	386,939
Public Employees Retirement System (PERS)			
Employer Contributions	405,289	357,302	278,081
Employee Contributions	228,648	189,420	153,857
Total PERS conributions	633,937	546,722	431,938
Total Contributions	**$ 1,163,063**	**$ 1,096,353**	**$ 911,398**
Total Employer Contributions	$ 651,282	$ 628,015	$ 509,701
Total Employee Contributions	511,782	468,338	401,698
Total Contributions	**$ 1,163,064**	**$ 1,096,353**	**$ 911,399**

(1) 401(a) Plan

The 401(a) plan is a Social Security replacement plan that defers federal income tax on employee contributions and allows employees to choose from a number of investment options for both their contributions and the employer's contributions. The 401(a) plan is a defined contribution plan. Contributions into the plan are 5.2% of payroll for the employer and 6.2% of payroll for the employee. The plan is administered by the International City/County Management Association Retirement 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 2017:

Aggregate Pension Amounts - All Plans	
Net Pension Liability	$ 2,361,609
Deferred Outflows of Resources	$ 412,106
Deferred Inflows of Resources	$ 450,112
Pension Expense	$ 282,749

Reconciliation of Contributions to Pension Expense		
Annual Contributions	$	399,113
Adjustments to Pension Expense:		
Governmental Funds		(116,952)
Internal Service Funds		(1,824)
Enterprise Funds		2,412
Pension Expense	**$**	**282,749**

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 1	January - June 2017		July - December 2017	
Actual Contributions Rates:	**Employer**	**Employee**	**Employer**	**Employee**
PERS Plan 1	6.23%	6.00%	7.49%	6.00%
PERS Plan 1 UAAL	4.77%		5.03%	
Administrative Fee	0.18%		0.18%	
Total	**11.18%**	**6.00%**	**12.70%**	**6.00%**

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

	2017	2016	2015
PERS 1	$ -	$ -	$ 8,014

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

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

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

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined

contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

PERS Plan 2/3	**January - June 2017**		**July - December 2017**	
Actual Contributions Rates:	**Employer**	**Employee**	**Employer**	**Employee**
PERS Plan 2	6.23%	6.12%	7.49%	7.38%
PERS Plan 1 UAAL	4.77%		5.03%	
Administrative Fee	0.18%		0.18%	
Employee PERS Plan 3		varies		varies
Total	**11.18%**	**6.12%**	**12.70%**	**7.38%**

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

	2017	**2016**	**2015**
PERS 2	382,411	329,885	249,832
PERS 3	22,878	27,416	20,236
	$ 405,289	**$ 357,302**	**$ 270,067**

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2017. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

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

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 and TRS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 % and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Expected Real Rate of Return Arithmetic
Fixed Income	20.00%	1.70%
Tangible Assets	5.00%	4.90%
Real Estate	15.00%	5.80%
Global Equity	37.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

Sensitivity of Net Pension Liability

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

Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 1,481,520	$ 1,216,163	$ 986,308
PERS 2/3	3,085,951	1,145,446	(444,510)
Total	**$ 4,567,470**	**$ 2,361,609**	**$ 541,798**

Pension Plan Fiduciary Net Position

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

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

At December 31, 2017, the City of Maple Valley reported a total pension liability of $2,361,609 for its proportionate share of the net pension liabilities as follows:

Plan	Liability
PERS 1	$ 1,216,163
PERS 2/3	1,145,446
Total	**$ 2,361,609**

At June 30, 2017 the City of Maple Valley's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportionate Share
PERS 1	0.024720%	0.025630%	0.000910%
PERS 2/3	0.031244%	0.000000%	-0.031244%

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, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the City of Maple Valley recognized pension expense as follows:

Plan	Pension Expense
PERS 1	$ 122,849
PERS 2/3	159,900
Total	**$ 282,749**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City of Maple Valley reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 93,132	$ -
Difference between expected and actual earnings	-	45,384
Total	**$ 93,132**	**$ 45,384**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 12,167	$ -
Contributions subsequent to the measurement date	137,487	-
Difference between expected and actual earnings	-	305,348
Difference between expected and actual experience	116,061	37,672
Changes in proportion and differences between contributions and proportionate share of contributions	53,260	61,708
Total	**$ 318,974**	**$ 404,728**

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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1	PERS 2/3	Total Amortization
2018	$ (30,677)	$ (118,541)	$ (149,218)
2019	9,685	38,748	48,434
2020	(2,249)	(32,304)	(34,552)
2021	(22,144)	(132,094)	(154,237)
2022	-	1,038	1,038
Thereafter	-	1,349	1,349
Total	**$ (45,384)**	**$ (241,802)**	**$ (287,186)**

C. OTHER EMPLOYEE BENEFITS

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

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

	2017	2016	2015
Worker's Compensation	$ 66,546	$ 53,375	$ 42,194
Medical, Dental and Vision (Health)	665,435	620,772	581,771
Group Life and Long-term Disability	17,052	16,568	5,326
	$ 749,033	**$ 690,715**	**$ 629,290**
Other Benefit Cost as a % of Total Payroll	20%	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, 2017, was $665,435 or 17.9% 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.

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 161 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, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $21 million in limits above the self-insured layer is provided by reinsurance. Total limits are $25 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

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

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

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, 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 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.

	2017	2016	2015
Claims Paid	$ 10,487	$ 16,597	$ 4,704
Net Position	$ 47	$ 7,605	$ 24,494

While the City has had minimal layoffs, the claims paid during 2017 reduced the fund's ending net position to $47. Beginning in 2018, the City will allocate additional funds each year as part of the budget process to insure adequate funding.

NOTE 13 COMMITMENTS

In the opinion of management, the City has recorded in its financial statements all known liabilities and the City's insurance coverage is adequate to pay all potential claims. The City has active construction projects as of December 31, 2017. The City's commitments with contractors are as follows:

Construction Commitments

Contract Name	Project No.	Contract Amount	Payments	Balance at 12/31/2017
Construction Contracts				
Daley Morrow Poblete, Inc.	P15	$ 22,000	$ 15,063	$ 6,938
Daley Morrow Poblete, Inc.	T33c	25,000	8,905	16,095
David Evans & Associates, Inc.	T39	1,150,000	392,437	757,563
Innova Architects, Inc.	P06c	276,645	250,341	26,304
LaBonde Land Inc.	T28b	29,260	13,829	15,431
Mike McClung Construction	P15	157,502	120,632	36,870
PBS Engineering & Environmental Inc.	T28b	51,476	44,801	6,675
SHKS Architects, P.S. Inc.	P05	10,000	3,817	6,183
Transpo Group USA, Inc.	T42	128,987	88,551	40,436
Welwest Construction Company	T41	117,375	69,918	47,457
Interlocal Agreements:				
King County Water & Land Resource Division - WRIA 8		1,061	-	1,061
King County Water & Land Resource Division - WRIA 9		6,506	-	6,506
	Total	**$ 1,975,812**	**$ 1,008,293**	**$ 967,519**

NOTE 14 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to record a City-wide increase in Net Investment in Capital Assets as of January 1, 2017 in the amount of $540,576 from $389,024,229 to $389,564,804. $555,084 of the adjustment was to correct over-depreciation of capital assets in prior periods which was the result of using useful lives which were shorter than actual expectations. $(14,508) was to correct capitalized cost of a transportation project which was completed in 2016.

	Balance December 31, 2016, as Previously Reported	Increase for Corrections to Asset Value and Depreciation	Balance January 1, 2017, as Restated
Statement of Net Position (Government-wide)			
Governmental Activities			
Net Position			
Net Investment in Capital Assets	**$ 355,693,396**	**$ 520,838**	**$ 356,214,234**
Restricted for:			
Street Capital Projects	4,795,380	14,508	4,809,888
Park Capital Projects	1,971,592	-	1,971,592
General Capital Projects	4,706,094	-	4,706,094
Unrestricted	3,097,383	-	3,097,383
Total Net Position, Governmental Activities	370,263,846	535,346	370,799,192
Business-type Activities			
Net Position			
Net Investment in Capital Assets	16,060,120	5,230	16,065,350
Unrestricted	2,700,263	-	2,700,263
Total Net Position, Business-type Activities	18,760,383	5,230	18,765,613
Total Net Position	**$ 389,024,229**	**$ 540,576**	**$ 389,564,804**

City of Maple Valley
Schedule of Employer's Proportionate Share of Net Pension Liability
Public Employees' Retirement System
As of June 30, 2017
Last Ten Years *(Additional years will be displayed as they become available)*

	2017	2016	2015	2014
PERS 1				
Employer's Proportion of the Net Pension Liability	0.025630%	0.024720%	0.025622%	0.025956%
Employer's Proportionate Share of the Net Pension Liability	$ 1,376,452	$ 1,327,580	$ 1,340,269	$ 1,307,546
Employer's Covered Payroll	$ -	$ -	$ 153,748	$ 125,818
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	872%	1039%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.24%	57.03%	59.10%	61.19%
PERS Plan 2				
Employer's Proportion of the Net Pension Liability	0.032967%	0.031244%	0.029457%	0.030008%
Employer's Proportionate Share of the Net Pension Liability	$ 1,659,862	$ 1,573,111	$ 1,052,515	$ 606,570
Employer's Covered Payroll	$ 3,247,474	$ 2,836,456	$ 2,473,491	$ 2,462,184
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	51%	55%	43%	25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.97%	85.82%	89.20%	93.29%

Notes to required schedule:

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

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

City of Maple Valley
Schedule of Employer Contributions
Public Employees' Retirement System
As of December 31, 2017
Last Ten Years *(Additional years will be displayed as they become available)*

	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)[1]	Employer's Covered Payroll	Contributions as a % of Covered Employee Payroll
PERS 1					
2017	$ -	$ -	$ -	$ -	N/A
2016	$ -	$ -	$ -	$ -	N/A
2015	$ 8,014	$ 8,014	$ (0)	$ 87,014	9.21%
2014	$ 12,836	$ 12,836	$ (0)	$ 139,373	9.21%
PERS 2/3					
2017	$ 399,187	$ 399,113	$ 73	$ 3,390,930	11.77%
2016	$ 357,381	$ 357,302	$ 80	$ 3,196,613	11.18%
2015	$ 270,078	$ 270,067	$ 11	$ 2,633,127	10.26%
2014	$ 238,364	$ 238,364	$ 0	$ 2,588,102	9.21%

Notes to required schedule:

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

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
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Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov