

Washington State Auditor's Office
Financial Statements Audit Report

City of Maple Valley
King County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012099

Issue Date
June 23, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



**Washington State Auditor
Troy Kelley**

June 23, 2014

Council
City of Maple Valley
Maple Valley, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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King County
January 1, 2013 through December 31, 2013**

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

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

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 16, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

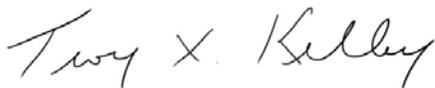
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

June 16, 2014

Independent Auditor's Report on Financial Statements

City of Maple Valley King County January 1, 2013 through December 31, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 6.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Maple Valley, as of December 31, 2013, 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, Real Estate Excise Tax, Drug Seizure and Transportation Benefit District 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 on pages 7 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

TROY KELLEY
STATE AUDITOR

June 16, 2014

Financial Section

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

REQUIRED SUPPLEMENTARY INFORMATION

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Statement of Activities – 2013

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

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

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual (GAAP Basis) – General Fund – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual (GAAP Basis) – Transportation Development Fund – 2013

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual (GAAP Basis) – Park Development Fund – 2013

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Statement of Cash Flows – Proprietary Funds – 2013

Notes to the Financial Statements – 2013

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2013**

As the management of the City of Maple Valley, we offer readers of this report this narrative overview and analysis of the financial activities of the City of Maple Valley for fiscal year ended December 31, 2013. 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 of the City of Maple Valley exceeded its liabilities at December 31, 2013 by \$392,864,905 (*net position*). Of this amount, \$6,097,998 (*unrestricted net position*) may be used to meet the city's ongoing obligations to citizens and creditors. Of the rest, \$10,359,955 is restricted for specific operating and capital purposes, and \$376,406,952 is net investment in capital assets.
- During 2013, the City's total net position increased \$19,809,402. This amount includes an increase of \$19,908,029 in invested in capital assets, net of related debt. This is offset by a decrease of \$29,180 in restricted net position and a decrease of \$69,447 in unrestricted net position.
- At December 31, 2013 the City of Maple Valley's governmental funds reported a combined ending fund balance of \$13,493,207 up \$90,830 from the prior year amount of \$13,402,377. While the City budgeted a \$3,797,253 decrease in governmental fund ending fund balance from \$16,717,328 to \$13,094,393, the governmental fund ending fund balance was \$398,814 better than budgeted. Governmental fund revenues were above budget by \$259,421.
- At the end of 2013, the assigned and unassigned fund balance for the General Fund was \$3,100,547, 31% of total General Fund expenditures. This amount is up \$111,330 from 2012 ending unassigned fund balance of \$2,989,217. The main reason for the increase was additional revenue associated with an increase in sales tax revenue related to new commercial development.
- The City of Maple Valley's total liabilities decreased \$351,218 from \$7,788,800 to \$7,437,582. The decrease was in long term debt that was paid off, offset by increases in vendor payables with more year-end construction projects. The 2013 liabilities include \$3,340,000 in general obligation bonded debt down \$405,000 from the 2012 amount of \$3,745,000. On February 21, 2012 Standard and Poor's Rating Services affirmed the AA+ underlying rating on these bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Maple Valley's financial statements. The City of Maple Valley's financial statements include the government-wide financial statements, the fund financial statements, and the notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Maple Valley's finances, in a format similar to that provided for private-sector businesses. The statements segregate activity into two categories: governmental activities and business-type activities. The governmental activities of the City of Maple Valley include: general government; community development; human services; parks and recreation; except the Lake Wilderness Golf Course, public safety; and public works, except the surface water management function. The governmental activities also include internal service funds as discussed below. The business-type activities include the surface water management function and the Lake Wilderness Golf Course.

City of Maple Valley
Management's Discussion and Analysis
December 31, 2013

The *statement of net position* presents information on the City of Maple Valley's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Maple Valley is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the year. The *statement of activities* identifies the City's activities and the program revenues that helped fund them. The Statistical Section provides summary information on net position and changes in net position from 2004 through 2013.

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

Governmental funds. *Governmental funds* are used to account for the governmental activities shown on the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of resources*, as well as on the *balances of resources* available. Governmental funds are concerned with having available resources (i.e. "working capital" - current assets less current liabilities) to meet the expenditure needs as identified in the budget. As part of the governmental funds presentation, a comparison of actual expenditures to both the original and final budget is shown for the General Fund and all Special Revenue Funds.

Proprietary funds. *Proprietary funds* are used to account for operations that are designed to generate revenues to cover the total cost of operation including depreciation. The City of Maple Valley has both types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to account for the activity of the City's surface water management function and Lake Wilderness Golf Course. The internal service funds are used to account for the operation of the City's vehicle rental, central services, and unemployment trust functions. These internal service functions accumulate costs and charge them to operating departments. They also charge replacement and reserve fees to insure future availability of funds to replace equipment or to fund unemployment claims. As mentioned above, internal service funds in the City of Maple Valley are categorized as governmental activities.

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

- To reclassify capital expenditures to assets and to record depreciation of governmental capital assets,
- To reclassify debt issuances and repayments from sources and uses of funds to increases or decreases in liabilities, and
- To record the assets, liabilities, and net revenues of internal service funds. By including only net revenues, the double counting of transactions between the internal service funds and the funds they provide services to is eliminated.

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2013**

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*, information is not included because the City of Maple Valley does not sponsor a defined benefit plan. 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). These plans are described in the notes to the financial statements.

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

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

Government-wide Financial Statement Analysis

Statement of net position. 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 improved by \$19,640,323, or 5.3%. The table that follows summarizes the statement of net position. The table shows the individual components of these amounts by major account group for governmental activities and business-type activities with totals and comparisons to the preceding year.

The subsequent narrative explains the account balances and the changes from the prior year. Amounts for 2012 have been restated for the effect of a prior period adjustment as discussed in the notes to the financial statements.

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2013**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013	(Restated) 2012	2013	(Restated) 2012	2013	(Restated) 2012
Assets						
Current Assets	\$ 15,893	\$ 15,621	\$ 2,632	\$ 2,764	\$ 18,525	\$ 18,385
Capital Assets	369,360	350,221	12,417	12,238	381,778	362,459
Total Assets	385,253	365,842	15,049	15,002	400,302	380,844
Liabilities						
Current Liabilities	1,901	1,727	166	101	2,067	1,828
Long-term Liabilities	5,371	5,960	-	-	5,371	5,960
Total Liabilities	7,272	7,688	166	101	7,438	7,789
Net position						
Invested in Capital Assets, net of related Debt	363,990	344,261	12,417	12,238	376,407	356,499
Restricted	10,360	10,389	-	-	10,360	10,389
Unrestricted	3,632	3,505	2,466	2,663	6,098	6,167
Total Net Position	\$ 377,981	\$ 358,155	\$ 14,883	\$ 14,901	\$ 392,865	\$ 373,056

Current assets at December 31, 2013 totaled \$18,524,705 up \$139,777 or 0.8% from the December 31, 2012 amount of \$18,384,928. The change is comprised of an increase in cash, cash equivalents and investments offset by a decrease in intergovernmental receivable. Cash and cash equivalents include: petty cash and other imprest funds totaling \$17,700, the checking account balance of \$2,236,607, and \$7,950,161 invested overnight with the State of Washington Local Government Investment Pool (LGIP). In addition to the LGIP investments, at year end the City had \$6,969,007 or 37.6% of current assets invested in one certificate of deposit for \$1,000,000 maturing in 2015 and seven individual U.S. government agency securities with maturities in 2014 through 2018. At year-end the LGIP was earning 0.13%. The other investments were earning an average 2.02%.

The remaining current asset balance at December 31, 2013 was \$1,351,230 or 7.3%. Of this amount: \$769,679 was for taxes receivable, \$143,071 was for accounts receivable, \$54,033 was for accrued interest receivable, \$312,056 was for due from other governments, \$62,311 was for inventory, and \$10,080 was for prepaid items.

Of the taxes receivable amount of \$769,679 all was collected by February 28, 2014. Of the accounts receivable amount of \$143,071, \$48,591 was for receivables from developers, \$69,531 was in surface water management fee receivables, \$21,179 was due from ICMA for forfeitures on the deferred compensation plan for unvested balances of prior employees, and \$3,770 was miscellaneous. The receivables from developers are for billings of City staff time on various developer projects. Amounts are considered very collectible in the normal course of business as project approvals are not provided until all unpaid receivables are paid. The majority of the surface water management fee receivables, \$43,523, is due from Fire District #43 for surface water management fees from 2002 through 2013. The district has not paid these fees claiming that the City owes them an at least equivalent amount in payments in lieu of taxes for City owned facilities. The issue remains unresolved. The remaining delinquent surface water management fees are collected by King County with delinquent property taxes in the normal course of business.

Of the due from other government amount of \$312,056, \$130,894 is due from the State of Washington, \$102,637 is due from King County, \$54,725 is due from the Tahoma School District, \$22,808 is due

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2013**

from the City of Kent, and \$992 is due from the City of Enumclaw. The State of Washington amount is for reimbursement on a capital project grant and a surface water management NPDES grant. The King County amount is for property taxes, real estate excise taxes, surface water management fees, and overbilling of the Police contract. Police contract overbilling is the normal process whereby the County bills the City monthly based on the budget. At year-end a reconciliation process to actual for salary and benefits costs is made with the reconciliation amount adjusting the first billing of the new year which usually isn't billed until late Spring. The receivable from the Tahoma School District was for school impact fees that were inadvertently collected and remitted to TSD for property in the small portion of Maple Valley that is not within the District's boundaries.

Inventory is for food, beverages, and merchandise at the Lake Wilderness Golf Course. The prepaid amount is for miscellaneous expenses for 2014 that the City was required to pay prior to the end of 2013. More detailed information on receivables and other short-term assets is provided in the notes to the financial statements.

Capital assets, net of accumulated depreciation, totaled \$381,777,781 up \$19,318,406 from the prior year amount of \$362,459,375. 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. Amounts for 2012 have been restated for the effect of a prior period adjustment as discussed in the notes to the financial statements.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>(Restated)</u>		<u>(Restated)</u>		<u>(Restated)</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 209,886	\$ 197,768	\$ 9,933	\$ 9,884	\$ 219,819	\$ 207,652
Buildings	8,519	7,444	874	889	9,393	8,333
Improvements other than Bldgs	142,605	114,844	1,578	1,445	144,183	116,289
Machinery & Equipment	532	469	33	20	564	489
Construction in Progress	7,818	29,697	-	-	7,818	29,697
Total Capital Assets	\$ 369,360	\$ 350,221	\$ 12,417	\$ 12,238	\$ 381,778	\$ 362,459

The net increase is made up of capital asset additions and contributions of \$27,046,340 offset by the increase in accumulated depreciation of \$7,266,272, which includes depreciation of \$7,168,187 for governmental activities and \$98,085 for business-type activities. The retirements of \$540,109 were for items with accumulated depreciation of \$78,448. The City also recorded transfers and other adjustments for assets with a net book value of \$24,059,593. This was primarily for previously capitalized expenses in Construction in Progress for projects that were completed and moved to the appropriate capital asset category (land, building, infrastructure, etc).

The additions included developer contributions for land and improvements other than buildings of \$23,734,738 that were related to various commercial and residential projects contributed to the City. In addition to this the City added construction in progress of \$2,414,476 for projects undertaken during the

**City of Maple Valley
Management's Discussion and Analysis
December 31, 2013**

year but not yet complete at year-end. The major construction in progress additions were the State Route 169, Witte Road to 228th Ave SE project, the State Route 169, SE 264th St to SE 258th St project, and the 216th Ave SE, SR516 to south City limits, project. Additional capital asset information is provided in the notes to the financial statements.

Long-term liabilities at December 31, 2013 totaled \$5,370,830 down \$589,621 from the December 31, 2012 amount of \$5,960,451. The following table summarizes the long-term portion of the City's liabilities.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Contracts & Loans - Current	\$ 185	\$ 185	\$ -	\$ -	\$ 185	\$ 185
General Obligation Bonds - Current	425	405	-	-	425	405
Contracts & Loans Payable	1,846	2,031	-	-	1,846	2,031
GO Bonds Payable	2,915	3,340	-	-	2,915	3,340
Total Long-term Debt	\$ 5,371	\$ 5,960	\$ -	\$ -	\$ 5,371	\$ 5,960

No contract and loan borrowing was done in 2013. 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%.

No general obligation bonded debt was issued in 2013. During the year \$405,000 of general obligation bonded debt was retired. The general obligation bonds outstanding reflect a 2005 refunding of the callable portion of the 2000 general obligation bond issue. The remainder of the 2000 general obligation bonds was paid off on December 1, 2010. The 2005 general obligation bonds outstanding at December 31, 2013 was \$3,340,000, including the current portion of \$425,000. The bonds have approximately equal annual debt service with payoff on December 1, 2020. The bonds have interest rates of 4.00% to 4.25%. More detailed information on long-term debt including issuance and redemption information and debt service to maturity can be found in the notes to the financial statements. As disclosed in the subsequent events portion of the notes to the financial statements, the City issued non-voted limited tax general obligation bonds in early 2014.

Net position at December 31, 2013 totaled \$392,864,905, up \$19,809,402 from the December 31, 2012 amount of \$373,055,503. The largest portion of the December 31, 2013 total, \$376,406,952 or 95.8%, 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 assets, \$10,359,955, down \$29,181 from the December 31, 2012 amount of \$10,389,134, is restricted, primarily for capital purposes. The unrestricted net assets at December 31, 2013, totaled \$6,097,998 down \$69,447 from the December 31, 2012 amount of \$6,167,445. The change in net assets 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, 2012 to December 31, 2013. The condensed Statement of Activities shown in the table below identifies the changes in net position.

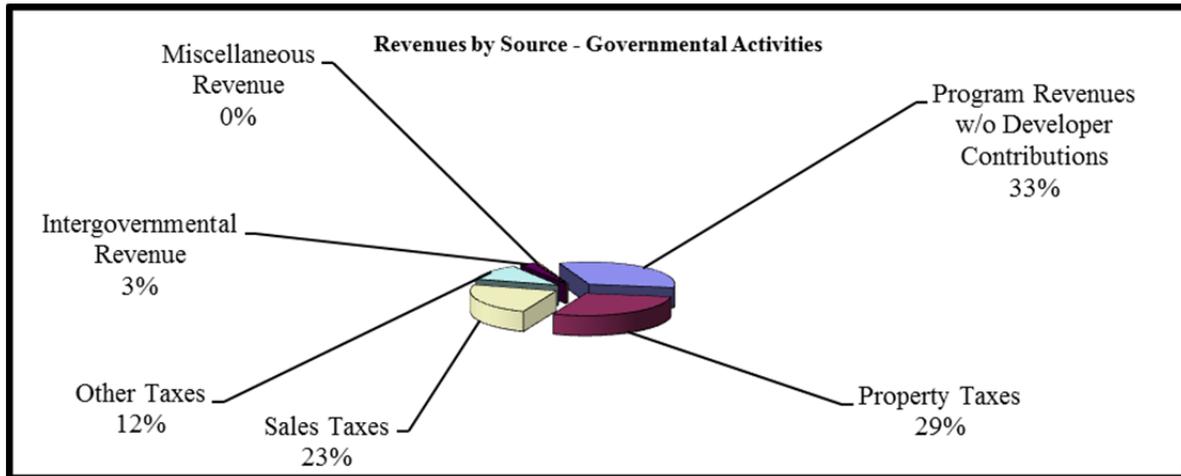
**City of Maple Valley
Management's Discussion and Analysis
December 31, 2013**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Revenues by Major Source						
Program Revenues						
Charges for Services	\$ 2,919	\$ 3,611	\$ 2,055	\$ 2,107	\$ 4,975	\$ 5,718
Operating Grants & Contributions	164	673	124	102	288	775
Capital Grants & Contributions	24,451	4,707	49	29	24,500	4,736
General Revenues						
Property Taxes	3,312	3,200	-	-	3,312	3,200
Sales Taxes	2,676	2,529	-	-	2,676	2,529
Utility Taxes	1,776	1,699	-	-	1,776	1,699
Other Taxes	1,302	1,391	-	-	1,302	1,391
Intergovernmental Revenue	320	379	-	-	320	379
Miscellaneous Revenue	56	193	55	22	111	215
Total Revenues	36,977	18,382	2,284	2,260	39,261	20,642
Expenses by Function						
General Government	2,158	2,109	-	-	2,158	2,109
Economic Environment	978	1,123	-	-	978	1,123
Mental and Physical Health	30	30	-	-	30	30
Culture and Recreation	2,378	2,122	990	1,057	3,368	3,179
Public Safety	3,882	3,695	-	-	3,882	3,695
Transportation	7,882	7,904	851	731	8,733	8,636
Utilities and Environment	137	121	-	-	137	121
Interest on Long-term Debt	165	180	-	-	165	180
Total Expenses	17,609	17,284	1,842	1,788	19,451	19,072
Transfers In/(Out)	459	107	(459)	(107)	-	-
Contributions	-	-	-	(8)	-	(8)
Total Expenses and Transfers	17,150	17,177	2,301	1,903	19,451	19,080
Increase (Decrease) in Net Position	19,827	1,205	(17)	357	19,809	1,562
Net Position - January 1	358,155	357,110	14,901	14,553	373,056	371,662
Prior Period Adjustment	-	(160)	-	(9)	-	(169)
Net Position - December 31	\$ 377,981	\$ 358,155	\$ 14,883	\$ 14,901	\$ 392,865	\$ 373,056

Governmental activities. Governmental activity revenue increased by \$18,594,973 with the major increases being capital grants and contributions, \$19,744,023, sales taxes, \$147,568, and property tax, \$111,973. Most of the contributions are developer contributions associated with dedicating the public infrastructure to the City. The chart below shows the distribution of the City revenues from governmental activities. Developer contributions are removed from the chart to provide a more meaningful analysis.

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Governmental activity program revenues, exclusive of developer contributions of \$23,734,738, are down \$2,417,997 from \$6,217,990 to \$3,799,993 primarily due a decrease of \$1,217,709 in capital grant revenue, a decrease of \$508,809 in operating grants and contracts, and a decline of \$691,479 in charges for services due to declined permitting activity with a lower availability of buildable lots for single-family residences. Decreased capital and operating grant contributions reflect slower than historical levels of development activity within the City.

Governmental activity general revenues are up \$51,238 from \$9,391,102 to \$9,442,340. The increases are in most of the major categories. The largest sources of tax revenue increases are identified below.

- Property taxes, which provided 36.5% of the tax base, increased \$111,973 or 3.5%.
- Sales taxes, which provided 29.5% of the tax base, increased \$147,568 or 5.8%.
- Utility taxes, which provided 19.1% of the tax base, increased \$31,187 or 1.8%.
- Real estate excise taxes, which provided 8.8% of the tax base, decreased \$242,941 or 23.3%.

The property tax increase includes two components: an annual levy limit increase of 0.9% and a new construction levy at the prior year's levy rate that provided an increase of 2.6%.

Sales tax revenue also includes two components: locally generated revenue, \$2,158,334 and county wide revenue distributed to cities based on population, \$518,110. The locally generated revenue is from two main sources construction and non-construction retail sales. In 2013 construction sales provided 19.1% of the locally generated sales tax revenue, down from 23.0% in 2012.

Utility taxes increased \$31,187 from \$1,698,866 to \$1,730,053 due to a combination of increased utility rates and modest increases in population and the number of dwelling units.

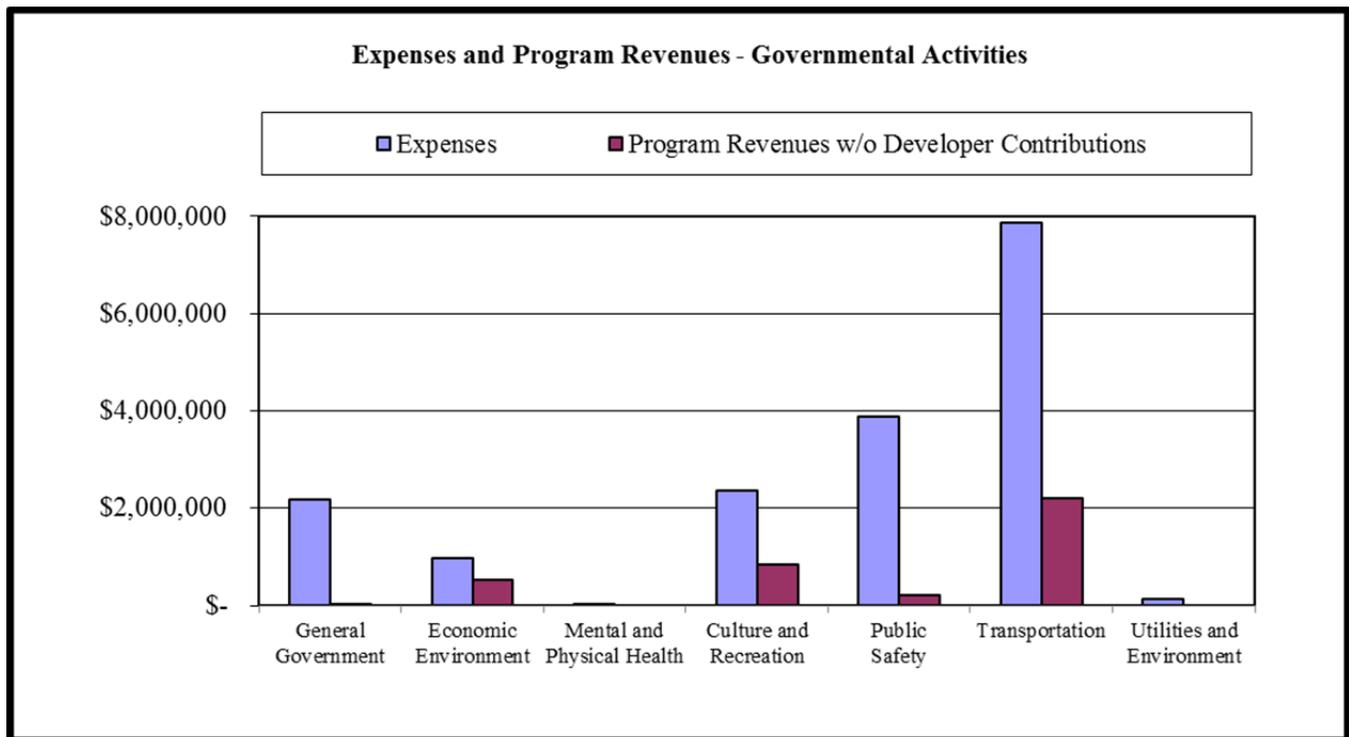
Real estate excise tax revenue decreased \$242,941 from \$1,043,963 to \$801,022 primarily due a decrease in the number and value of commercial property sales in 2013 compared to 2012. Residential sales were relatively flat from 2012 to 2013. 511 homes sold in 2013 compared to 508 in 2012. The value of new homes increased by 18.0% during 2013, while the cost of existing homes increased by 14.4%. Overall the revenue is down substantially from the peak in 2005 of almost \$2,000,000 when 1,013 single family residential homes were sold. The real estate excise tax is 1.78% on the sale of real property, with the City receiving 0.5%.

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

- Intergovernmental revenue, decreased \$59,254 or 15.6%, primarily due to declines in shared revenue from the State of Washington.
- Miscellaneous revenue increased \$137,028 or 71.1% with modest increases in investment income as well as the recovery of insurance claims and settlement amounts.

The chart below compares program expenses to program revenue.



In all programs, program expenses exceeded program revenues. In general government, program revenue from special licenses, passports and gain on sale of asset was 0.7% of program expenses. In economic environment, program revenue was 55.0% of program expenses down from 72.4% as the City permitted 74 single family residential units down from 159 in 2012. For 2013, program expenses for community development increased at a larger rate than did program revenue. The City needs about 250 single family residential permits and a moderate amount of commercial development to break even which the City hasn't had since 2006. In culture and recreation, program revenue was 35.1% of program expenses down from 62.0% in 2012 as park impact fees were collected on a much smaller number of permitted lots for single family units. In public works, program revenue was 27.8% of program expenses down from 82.7% as a slowdown in commercial and residential development resulted in lower transportation impact fees.

Governmental activity expenses increased \$325,501 or 1.9% from \$17,283,995 to \$17,609,496. 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.

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General government expenses including: the city council, city manager, city clerk, city attorney, human resources, central services, public defender, prosecutor, court, and finance; increased \$49,244 or 2.30%. The increase is primarily attributable to increased court costs with the change in venue to the City of Kent. Court costs increased \$164,704 from \$186,471 to \$351,175. The increase relates to the change to the City of Kent for court services, as well as the payment of \$55,190 in startup costs from the change to the City of Kent. Additionally, a small increase in staffing and increased rates for retirement plan contributions and increased cost of health insurance attributed to the increase for general government. City Attorney services declined by \$234,678 from 2012 to 2013 as the City moved to a contracted City Attorney. Other parts of general government underspent their appropriations such as the City Manager, \$55,390 below budget, City Clerk's office \$65,114 below budget, and Finance \$63,153 below budget.

Expenses for economic environment, commonly referred to at the City as community development, include lake management, planning, and building operations, decreased \$145,060 or 12.9%. The decrease is primarily due to lower than expected development activity within the City.

Mental and physical health stayed the same for 2013 as 2012. Expenses of \$30,000 relate to grant payments to the Maple Valley food bank and Vine Maple Place for \$15,000 each. The food bank provides vital nutritional resources to those in need, and Vine Maple Place provides transitional housing, mentorship, child advocacy and life-skills training assistance to homeless single parents.

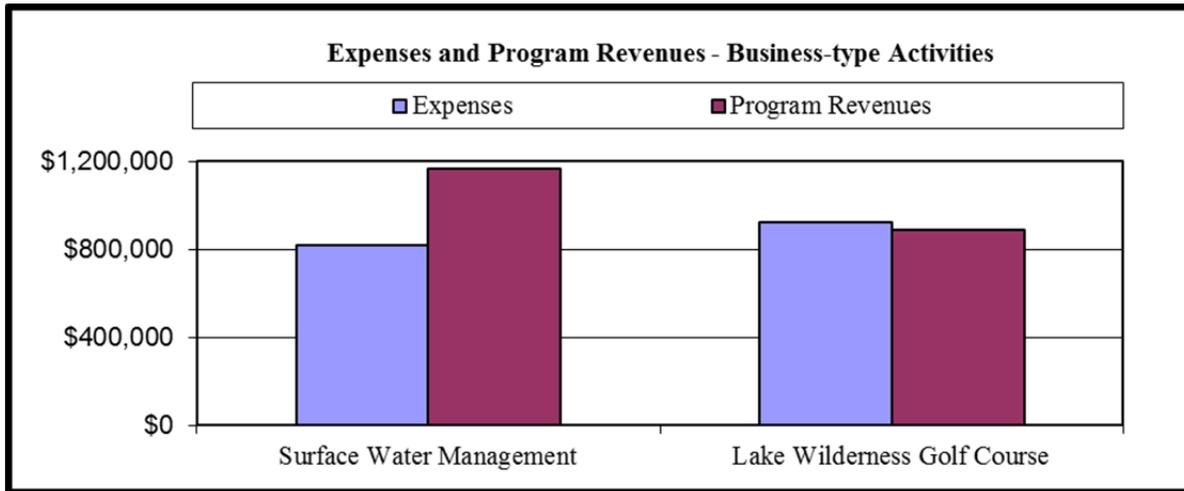
Culture and recreation expenses including: parks maintenance, the Lake Wilderness Lodge, recreation programs, community events, and funding for community service agencies, increased \$255,808 or 12.1%. The increase is primarily in the recreation area with expenses associated with greater signups and additional program offerings, which are partially offset by increased program revenue.

Public safety expenses including: police, jail, and fire marshal, increased \$186,972 or 5.1%. Police services expenses increased by \$24,994 from 2012 to 2013. For police services, the City contracts with King County for 16 police officers up from 15 in 2011, 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 \$81,349 from \$3,267,370 to \$3,348,719. Other public safety increases include the cost of animal control for which the City pays the County and a combination of workload and inflationary increases. Jail costs increased \$102,715 from \$83,427 to \$186,142. The increase relates to the transition of jail services from primarily the City of Enumclaw to the City of Kent. Booking and per-night bed fees were higher under the new contract.

Transportation and utilities and environment expenses, commonly referred to at the City as public works, include development, transportation planning, street maintenance, and waste reduction & recycling. These expenses decreased \$1,154 or 0.08%.

Business-type activities. As of December 31, 2013 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.

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In the surface water management operation program revenue decreased \$14,100 or 1.2% from \$1,181,664 to \$1,167,564. The decrease is associated with a slowdown in development activity and less connection charges for the surface water utility. Expenses of the surface water management operation increased \$114,302 or 16.2% from \$706,769 to \$821,071. The increase is due to the fact that the City hired its first dedicated surface water management position and has begun a regular schedule of surface water facility inspection, cleaning and monitoring.

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. It was hoped that the facility would breakeven, but that has not happened yet. The course is managed by Premier Golf Centers, LLC out of Seattle, Washington. The continuing inability of the restaurant operation to breakeven 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 2013 the Lake Wilderness Golf Course operation had a program revenue decrease of \$37,708 or 4.1% from \$925,368 to \$887,660 but a greater program expense decrease of \$64,293 or 6.5% from \$987,788 to \$923,495. The task force strategy worked to some degree as the City reduced its transfer from other funds from \$91,373 in 2011 to \$32,840 in 2012. The general fund subsidy increased to \$54,187 in 2013 primarily due to a combination of poor weather in September and planned capital expenses throughout the year. 2012 was the first full year of the task force recommendation and since then operations have improved, expenses are down, and it is hopeful that breakeven will occur soon.

Financial Analysis of Government's Funds

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

Governmental funds. The focus of the City of Maple Valley's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Maple Valley's financing requirements. In particular, *unassigned fund balances* serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. The General Fund is the only governmental fund with *unassigned fund balance* as other governmental funds have their fund balances reserved for particular purposes mainly to fund capital improvement program. The following table shows the governmental fund balance changes.

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Governmental Funds			
Fund Balances			
	Beginning	Ending	Increase (Decrease)
General Fund	\$ 2,994,217	\$ 3,110,122	\$ 115,905
Transportation Impact Fee Fund	6,483,740	5,646,384	(837,356)
Park Development Fund	1,881,388	2,086,206	204,817
Real Estate Excise Tax Fund	2,024,007	2,479,409	455,402
Drug Seizure Fund	-	4,105	4,105
Transportation Benefit District Fund	-	147,956	147,956
Capital Improvement Plan	19,025	19,025	-
	\$ 13,402,377	\$ 13,493,207	\$ 90,830

As noted above in total the governmental fund balances increased \$90,830. Of the General Fund balance of \$3,110,122, \$2,500,162 or 80.4% is unassigned. Including the amount assigned for the subsequent year's appropriation of fund balance \$600,385, total assigned and unassigned fund balance is 31% of General Fund expenditures. The City's financial policies state that the fund balance of operating funds will be budgeted at at least 16.7% of anticipated operating expenditures. The City interrupts 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 reserved fund balances for designated purposes.

The Transportation Impact Fee Fund accumulates transportation impact fees and other transportation development contributions to pay for the non-City share of transportation improvement projects. Impact fees collected must be spent within a specific time period, currently extended to ten years. In 2013 transportation impact fees were less than expenditures for transportation improvement projects as fees were collected from commercial development and expenditures were combined with existing fund balance to maximize the City's matching fund capabilities from the Real Estate Excise Tax Fund for infrastructure development.

The Park Development Fund accumulates park impact fees, other park development contributions, and shared County revenue for open space and trails. Impact fees collected must be spent within a specific time period, currently extended to ten years. 2013 was the third year for the collection of park impact fees and minimal transfers for park capital projects were made.

The Real Estate Excise Tax Fund accumulates taxes on the sale of new and existing real property. The taxes provide the City share of funding for both transportation and non-transportation capital improvement projects. The Real Estate Excise Tax Fund provides the City match for funds accumulated in the Transportation Impact Fee Fund and the Park Development Fund. It is also the primary funding source for non-transportation and non-park capital projects. In 2013 real estate excises taxes declined \$286,559, or 26.3% from \$1,087,581 to \$801,022. Transfers-out for capital projects were \$363,785 in 2013.

The Drug Seizure Fund accumulates resources from seizures and impoundment of property for the enforcement of controlled substance, DUI and other applicable laws in accordance with Washington

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State law. Per the Revised Code of Washington, the cash and property seized must be held and used "exclusively for" such enforcement activity. Fund balance at year-end was \$4,105.

The Transportation Benefit District fund is used to account for the receipt and transfer or disbursement of motor vehicle excise taxes collected by the Maple Valley Transportation Benefit District, a blended component unit of the City of Maple Valley. Fee collection began in the second half of 2013. As such no transfers or disbursements were made during the year. Fund balance at year-end was \$147,956. Further information regarding the District can be found in the notes to the financial statements.

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	\$ 2,662,527	\$ 2,466,079	\$ (196,448)
Vehicle Rental Fund	240,800	244,974	4,175
Central Services Fund	336,742	335,045	(1,697)
Unemployment Trust Fund	68,813	55,328	(13,485)
	\$ 3,308,882	\$ 3,101,427	\$ (207,455)

The decrease in net position of the Surface Water Management Fund is a result of decreased development and connection charges in 2013 as well as planned capital expenditures. 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 no fund balance as the General Fund subsidy is intended to offset any operating deficit from golf course operations.

The internal service funds accumulate funds for vehicle and equipment replacement and to pay unemployment claims. In 2013, both the Vehicle Rental Fund and the Central Services Fund increased their net position. 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. 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 though reducing net assets in 2013 appears to be adequately funded based on historical claims activity.

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

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the total General Fund original and final budgets to the actual results for the year ended December 31, 2013.

General Fund Budget Amendments					
	Original Budget	Budget Amendment	Final Budget	Actual	% of Budget
General Fund	\$ 10,563,208	\$ 72,500	\$ 10,635,708	\$ 10,035,935	94%
Economic Environment (Community Development)					
Economic development component of comprehensive plan update		74,500			
Public Safety					
Move funding for drug enforcement activity to new drug seizure fund		(2,000)			
		<u>\$ 72,500</u>			

General Fund amendments in 2013 consisted of \$74,500 to fund consultant work on the economic development component of the City's comprehensive plan update. Additionally, \$2,000 funding for drug enforcement activity was moved from the City's General Fund to the new Drug Seizure fund. The General Fund's actual expenditures were 94% of its budget, a decrease from 97% in 2012. 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	\$ 7,492,652	\$ 7,764,700	\$ 272,048	104%
Licenses & Permits	580,183	625,668	45,485	108%
Intergovernmental Revenue	918,153	972,734	54,581	106%
Charges for Services	626,287	776,254	149,967	124%
Fines and Forfeitures	146,131	92,357	(53,774)	63%
Miscellaneous Revenue	339,614	320,059	(19,555)	94%
	<u>\$ 10,103,020</u>	<u>\$ 10,551,772</u>	<u>\$ 448,752</u>	<u>104%</u>
Expenditures				
Current				
General Government	\$ 2,072,131	\$ 1,860,330	\$ 211,801	90%
Community Development	1,056,002	934,926	121,076	89%
Human Services	233,309	235,630	(2,321)	101%
Park & Recreation	1,792,303	1,815,439	(23,136)	101%
Public Safety	4,197,372	4,184,403	12,969	100%
Public Works	1,284,591	1,000,006	284,585	78%
Capital Outlay	-	5,202	(5,202)	-
	<u>\$ 10,635,708</u>	<u>\$ 10,035,935</u>	<u>\$ 599,773</u>	<u>94%</u>

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Actual revenues were ahead of budget in most categories, except for fines and forfeitures and miscellaneous revenue. The increase in taxes is almost totally attributable to the increase in sales tax revenue. The City generates sales tax from both construction and non-construction activity. Sales tax from construction activity declined by 13.0% in 2013 as development activity slows. Sales tax from all other activities is expected to continue to increase in 2014 with the opening of some new stores throughout the year.

Licenses and permits and charges for service are both ahead of budget as previously high development activity declined throughout the year but overall ended ahead of budget. Residential and commercial permitting activity not only generates building permit revenue but also impact fee revenue. Intergovernmental revenue was above budget with operational grants above budget offset by declines in some categories of State shared revenue such as liquor taxes and revenue sharing. Fines and forfeitures are below budget as there has been less revenue coming to the City under the new operating agreement with the City of Kent for court services. Miscellaneous revenue is below budget with lower than anticipated investment income for the City as well as income less than budget for some types of rental and concession income from the Lake Wilderness Lodge for weddings and other events.

The primary reason for actual expenditures being 94% of the final budget, below the 97% from 2012, is the conservative nature of the City's budgeting process. The conservative nature of the City's budgeting process is a result of City policy whereby all new positions are budgeted for a full year and existing positions are budgeted at full benefits even though actual benefit per incumbent may be less than budgeted. Other savings accrued as the City had lower than usual expenditures in the street maintenance division thanks to mild winters at the beginning and end of 2013.

Though not required, the City of Maple Valley prepares annual budgets for all funds. In the City of Maple Valley, most Special Revenue Funds have no expenditure budgets because accumulated restricted funds are budgeted and transferred to other funds to provide resources for their expenditures. If the funds are to be used for operating purposes, they are budgeted and transferred to the General Fund where budget control is maintained. If the funds are to be used for capital purposes, they are transferred to the Capital Improvement Plan Fund where budget control is maintained. The exceptions to this general rule are the Drug Seizure and Transportation Benefit District funds. Expenditures could occur within both funds. The budget and actual information for non-General and non-Special Revenue Funds are included after the notes to the financial statements.

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

Economic Factors Affecting the 2014 Budget and the Six-Year Financial Forecast

The City's six-year financial forecast as of December 31, 2013 is included in the 2014 Final Budget and summarized in the Introductory Section of this Comprehensive Annual Financial Report. As stated there, the overall purpose of the forecast is to not over commit the operating expenditure budget within a conservative revenue forecast based on the real inventory of developable land. The forecast is based on the historically successful model of residential development that concludes with the statement that as the new residents begin shopping locally, additional sales tax revenue is generated, eventually leading to the construction of new commercial facilities.

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In the last ten years the City has permitted 1,954 single-family residential lots and at December 31, 2013 had an additional 636 lots in inventory with at least preliminary plat approval. A listing of private development activity showing remaining preliminary plat lots is shown in the Statistical Section of this report. In addition to the 636 approved lots, there remains at December 31, 2013 a large number of potentially available un-platted lots. This potential for single-family residential development is in addition to a number of undeveloped non-residential sites. This mix of inventory should provide significant development activity within the six-year financial forecast described below.

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

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

Though the General Fund seems to be financially sound with diverse revenue sources and potential for growth, the Capital Improvement Plan Fund is somewhat restricted. Fewer building permits have provided less transportation and park impact fee revenue and the sluggish housing market has produced a lower level of real estate excise taxes than provided in previous years. It is expected the new Transportation Benefit District will provide much needed funding for some capital improvements throughout the City. These combined revenue sources including investment earnings produced \$1,971,113 in 2013 from which \$754,450 in debt service was paid leaving on an annual basis only about \$1.2 million for capital improvements, not very much for a young and growing City. Surely the economic condition will improve in the years to come. In the meantime the City may need to settle for a smaller capital improvement program as it encourages the development of its commercial properties.

Though the 2014 budget was developed with caution and the six-year forecast does not expect significant economic growth, some modest growth in both the residential and commercial sector is forecasted. As in the past the City will monitor the finances with monthly financial reporting and quarterly presentations to the City Council. This effort should allow the City to meet the needs of the community without undue strain on City staff or the community.

City of Maple Valley
Statement of Net Position
December 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,726,627	\$ 1,477,841	\$ 10,204,468
Investments	5,959,735	1,009,272	6,969,007
Receivables (net of allowance for uncollectibles):			
Taxes	769,679	-	769,679
Accounts	73,540	69,531	143,071
Accrued Interest	54,033	-	54,033
Intergovernmental Receivable	299,578	12,478	312,056
Inventory	-	62,311	62,311
Prepaid Items	9,843	237	10,080
Capital Assets Not Being Depreciated:			
Land	209,885,871	9,933,167	219,819,038
Construction in Progress	7,818,358	-	7,818,358
Capital Assets, Net of Accumulated Depreciation:			
Buildings	8,519,197	873,515	9,392,713
Machinery, Equipment and Vehicles	531,600	32,780	564,380
Infrastructure	142,551,660	-	142,551,660
Other Capital Assets	53,677	1,577,958	1,631,635
Total Assets	385,253,397	15,049,090	400,302,487
LIABILITIES			
Accounts Payable	934,977	100,110	1,035,088
Payroll Payable	144,315	3,439	147,754
Intergovernmental Payable	66,405	5,235	71,640
Deposits and Unearned Revenue	618,782	56,807	675,589
Compensated Absences Payable	120,142	-	120,142
Accrued Interest Payable	16,540	-	16,540
Noncurrent Liabilities:			
Contracts & Loans - Due within one year	184,621	-	184,621
General Obligation Bonds - Due within one year	425,000	-	425,000
Contracts & Loans - Due after one year	1,846,210	-	1,846,210
General Obligation Bonds - Due after one year	2,915,000	-	2,915,000
Total Liabilities	7,271,992	165,591	7,437,582
NET POSITION			
Net Investment in Capital Assets	363,989,532	12,417,420	376,406,952
Restricted for:			
Street Capital Projects	5,794,340	-	5,794,340
Park Capital Projects	2,086,206	-	2,086,206
General Capital Projects	2,479,409	-	2,479,409
Unrestricted	3,631,918	2,466,079	6,097,998
Total Net Position	\$ 377,981,405	\$ 14,883,499	\$ 392,864,905

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

City of Maple Valley
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Service (1)	Grants and Contributions	
			Operating	Capital
GOVERNMENTAL ACTIVITIES				
General Government	\$ 2,157,921	\$ 14,131	\$ -	\$ -
Economic Environment	978,415	538,139	-	-
Mental and Physical Health	30,000	-	-	-
Culture and Recreation	2,377,593	832,221	3,000	-
Public Safety	3,881,719	128,693	84,188	5,968
Transportation	7,881,784	1,406,191	77,143	24,445,058
Utilities and Environment	137,236	-	-	-
Interest on Long-term Debt	164,829	-	-	-
Total Governmental Activities	17,609,496	2,919,375	164,331	24,451,025
BUSINESS-TYPE ACTIVITIES				
Surface Water Management	851,342	1,167,564	124,130	49,030
Lake Wilderness Golf Course	990,389	887,660	-	-
Total Business-type Activities	1,841,731	2,055,224	124,130	49,030
Total Primary Government	19,451,227	4,974,599	288,461	24,500,055

General Revenues

- Taxes
 - Property Taxes
 - Sales Taxes
 - Utility Taxes
 - Excise Taxes in Lieu of Property Tax
 - Other Taxes (Real Estate Excise)
 - Business and Occupation (Gambling) Taxes
 - Franchise Fees (Taxes)
- Intergovernmental Revenue not restricted to specific programs
 - State Shared Revenue
- Miscellaneous Revenue
 - Investment Earnings
 - Other Miscellaneous Revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment (Note 14)

Net Position - Ending

(1) Includes other program revenue except grants and contributions

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (2,143,791)	\$ -	\$ (2,143,791)
(440,276)	-	(440,276)
(30,000)	-	(30,000)
(1,542,372)	-	(1,542,372)
(3,662,870)	-	(3,662,870)
18,046,608	-	18,046,608
(137,236)	-	(137,236)
(164,829)	-	(164,829)
9,925,235	-	9,925,235
-	489,382	489,382
-	(102,729)	(102,729)
-	386,653	386,653
9,925,235	386,653	10,311,889
3,312,283	-	3,312,283
2,676,444	-	2,676,444
1,730,053	-	1,730,053
173,663	-	173,663
801,022	-	801,022
45,920	-	45,920
327,210	-	327,210
319,931	-	319,931
55,815	20,561	76,376
-	34,612	34,612
459,006	(459,006)	-
9,901,347	(403,833)	9,497,514
19,826,582	(17,180)	19,809,402
358,314,653	14,909,929	373,224,582
(159,830)	(9,250)	(169,079)
\$ 377,981,405	\$ 14,883,499	\$ 392,864,905

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

**City of Maple Valley
Balance Sheet
Governmental Funds
December 31, 2013**

	General	Special Revenue Transportation Development
ASSETS		
Cash and Cash Equivalents	\$ 1,938,912	\$ 3,517,039
Investments	1,324,154	2,401,916
Receivables (net of allowance for uncollectibles):		
Taxes	769,679	-
Accounts	73,540	-
Accrued Interest	54,033	-
Intergovernmental Receivable	154,647	-
Prepaid Items	9,575	-
Total Assets	\$ 4,324,541	\$ 5,918,955
LIABILITIES		
Liabilities		
Accounts Payable	\$ 666,816	\$ 4,026
Payroll Payable	134,793	-
Intergovernmental Payable	62,573	-
Deposits Payable	183,250	-
Unearned Revenue	166,987	268,546
Total Liabilities	1,214,418	272,572
FUND BALANCES		
Nonspendable:		
Prepaid Items	9,575	-
Restricted:		
Street Capital Projects	-	5,646,384
Park Capital Projects	-	-
1st .25% Capital Purposes	-	-
2nd .25% Capital Purposes	-	-
Drug Investigations	-	-
Transportation Infrastructure	-	-
Committed:		
Public Art Purposes	-	-
Assigned:		
Subsequent year's budget appropriation of fund balance	600,385	-
Unassigned	2,500,162	-
Total Fund Balances	3,110,122	5,646,384
Total Liabilities and Fund Balances	\$ 4,324,541	\$ 5,918,955

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

Special Revenue				Capital Projects	Total
Park Development	Real Estate Excise Tax	Drug Seizure	Transportation Benefit District	Capital Improvement Plan	Governmental Funds
\$ 1,239,622	\$ 1,456,887	\$ 3,362	\$ 74,197	\$ 96,164	\$ 8,326,184
846,584	994,962	2,296	50,672	65,674	5,686,258
-	-	-	-	-	769,679
-	-	-	-	-	73,540
-	-	-	-	-	54,033
-	27,561	-	23,087	94,283	299,578
-	-	-	-	-	9,575
\$ 2,086,206	\$ 2,479,409	\$ 5,658	\$ 147,956	\$ 256,121	\$ 15,218,847
\$ -	\$ -	\$ 1,553	\$ -	\$ 233,264	\$ 905,659
-	-	-	-	-	134,793
-	-	-	-	3,832	66,405
-	-	-	-	-	183,250
-	-	-	-	-	435,532
-	-	1,553	-	237,096	1,725,639
-	-	-	-	-	9,575
-	-	-	-	-	5,646,384
2,086,206	-	-	-	-	2,086,206
-	1,084,233	-	-	-	1,084,233
-	1,395,176	-	-	-	1,395,176
-	-	4,105	-	-	4,105
-	-	-	147,956	-	147,956
-	-	-	-	19,025	19,025
-	-	-	-	-	600,385
-	-	-	-	-	2,500,162
2,086,206	2,479,409	4,105	147,956	19,025	13,493,207
\$ 2,086,206	\$ 2,479,409	\$ 5,658	\$ 147,956	\$ 256,121	\$ 15,218,847

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

City of Maple Valley
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2013

Total Governmental Fund Balances as reported on the Balance Sheet **\$ 13,493,207**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Note 6) These assets consist of:

Land	\$ 209,885,871	
Construction in progress	7,818,358	
Subtotal: Non-depreciable capital assets	217,704,229	
Buildings	10,402,376	
Leasehold Improvements	76,681	
Machinery, Equipment and Vehicles	1,444,022	
Infrastructure	258,455,876	
Less: Accumulated Depreciation	(118,722,821)	
Subtotal: Depreciable capital assets	151,656,133	
Total capital assets		369,360,363

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. (Notes 7 and 8)

Accrued Interest on General Obligation Bonds Payable	(16,540)	
Compensated Absences	(120,142)	
Contracts, Loans, and Bonds Payable	(5,370,830)	
		(5,507,512)

Restricted net assets of internal service funds are included in governmental activities in the Statement of Net Position. 635,348

Net Assets of Governmental Activities as reported on the Statement of Net Position **\$ 377,981,405**

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

City of Maple Valley
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	<u>General</u>	<u>Special Revenue</u>
		<u>Transportation Development</u>
REVENUES		
Taxes		
Property	\$ 3,312,283	\$ -
Sales	2,676,444	-
Utility	1,730,053	-
Business and Occupation (Gambling) Taxes	45,920	-
Excise Taxes in Lieu of Property Tax	-	-
Other Taxes (Real Estate Excise)	-	-
Licenses & Permits	625,668	-
Intergovernmental Revenue	972,734	-
Charges for Service	776,254	668,257
Fines & Forfeitures	92,357	-
Miscellaneous Revenue	320,059	50,276
Total Revenues	<u>10,551,772</u>	<u>718,533</u>
EXPENDITURES		
Current		
General Government	2,211,505	-
Economic Environment	978,415	-
Mental and Physical Health	30,000	-
Culture and Recreation	2,021,069	-
Public Safety	3,878,798	-
Transportation	773,711	-
Utilities and Environment	137,236	-
Capital Outlay	5,202	-
Debt Service		
Principal	-	-
Interest	-	-
Total Expenditures	<u>10,035,935</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>515,837</u>	<u>718,533</u>
Other Financing Sources (Uses)		
Transfers In	88,461	-
Transfers Out	(488,393)	(1,555,889)
Total Other Financing Sources (Uses)	<u>(399,932)</u>	<u>(1,555,889)</u>
Net Change in Fund Balances	<u>115,905</u>	<u>(837,356)</u>
Fund Balances, January 1	<u>2,994,217</u>	<u>6,483,740</u>
Fund Balances, December 31	<u>\$ 3,110,122</u>	<u>\$ 5,646,384</u>

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

Special Revenue				Capital Projects	Total
Park Development	Real Estate Excise Tax	Drug Seizure	Transportation Benefit District	Capital Improvement Plan	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,312,283
-	-	-	-	-	2,676,444
-	-	-	-	-	1,730,053
-	-	-	-	-	45,920
25,935	-	-	147,728	-	173,663
-	801,022	-	-	-	801,022
-	-	-	-	-	625,668
-	-	-	-	731,673	1,704,407
243,269	-	-	-	-	1,687,780
-	-	4,023	-	-	96,381
16,234	18,165	2	228	-	404,965
285,437	819,187	4,025	147,956	731,673	13,258,584
-	-	-	-	-	2,211,505
-	-	-	-	-	978,415
-	-	-	-	-	30,000
-	-	-	-	93,028	2,114,097
-	-	2,920	-	-	3,881,719
-	-	-	-	302,662	1,076,374
-	-	-	-	-	137,236
-	-	-	-	2,414,475	2,419,678
-	-	-	-	589,621	589,621
-	-	-	-	164,829	164,829
-	-	2,920	-	3,564,615	13,603,471
285,437	819,187	1,105	147,956	(2,832,942)	(344,886)
-	-	3,000	-	2,832,942	2,924,403
(80,620)	(363,785)	-	-	-	(2,488,687)
(80,620)	(363,785)	3,000	-	2,832,942	435,717
204,817	455,402	4,105	147,956	-	90,830
1,881,388	2,024,007	-	-	19,025	13,402,377
\$ 2,086,206	\$ 2,479,409	\$ 4,105	\$ 147,956	\$ 19,025	\$ 13,493,207

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

City of Maple Valley
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013

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

Net Change in Fund Balances - total Governmental Funds **\$ 90,830**

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

Developer Contributions	23,734,738
Net book value of capital assets purchased in current year that do not meet new capitalization threshold	(21,353)
Depreciation removed during the current year for demolished buildings	5,925

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

Capital Outlay	2,419,678
	<u>Depreciation</u>
General Government	\$ 7,668
Culture and Recreation	263,496
Transportation	6,805,410
Internal Service Funds	<u>91,613</u>
	(7,168,187)

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 do not have any effect on net assets.

Reduction in Accrued Interest on Long-term Debt	1,812
Increase in Compensated Absences	16,187
Repayment of Long-term Debt	<u>589,621</u>
	607,619

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

Internal Service Funds - Operating Income (not including depreciation)	128,941
Internal Service Funds - Non-operating Income	
Investment Earnings	5,102
Transfer from General Fund	2,000
Capital Contribution from Surface Water Management Fund	<u>21,290</u>
	157,333

Change in Net Position of Governmental Activities **\$ 19,826,582**

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

City of Maple Valley
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property Taxes	\$ 3,320,023	\$ 3,320,023	\$ 3,312,283	\$ (7,740)
Sales Taxes				
Locally Generated	1,916,255	1,916,255	2,158,334	242,079
.1% Criminal Justice	478,769	478,769	518,110	39,341
Utility Taxes	1,738,605	1,777,605	1,730,053	(47,552)
Gambling Taxes	39,000	-	45,920	45,920
Total Taxes	<u>7,492,652</u>	<u>7,492,652</u>	<u>7,764,700</u>	<u>272,048</u>
Licenses & Permits				
Special Licenses	960	960	860	(100)
Franchise Fees	332,932	332,932	349,586	16,654
Development Permits	237,686	237,686	271,012	33,326
Business and Transient Sales Licenses	8,605	8,605	4,210	(4,395)
Total Licenses & Permits	<u>580,183</u>	<u>580,183</u>	<u>625,668</u>	<u>45,485</u>
Intergovernmental Revenue				
Federal, State and County Grants	86,847	86,847	105,647	18,800
Local Government Assistance	56,000	56,000	92,493	36,493
State Shared Revenue	775,306	775,306	774,594	(712)
Total Intergovernmental Revenue	<u>918,153</u>	<u>918,153</u>	<u>972,734</u>	<u>54,581</u>
Charges for Service				
Development Charges	257,921	266,921	448,976	182,055
Miscellaneous Charges	368,905	359,366	327,278	(32,088)
Total Charges for Service	<u>626,826</u>	<u>626,287</u>	<u>776,254</u>	<u>149,967</u>
Fines & Forfeitures	145,592	146,131	92,357	(53,774)
Miscellaneous Revenue				
Investment Earnings	36,449	36,449	31,633	(4,816)
Rents, Leases, and Concessions	281,741	281,741	258,447	(23,294)
Other Miscellaneous Revenue	22,721	21,424	29,980	8,556
Total Miscellaneous Revenue	<u>340,911</u>	<u>339,614</u>	<u>320,059</u>	<u>(19,555)</u>
Total Revenues	<u>\$ 10,104,317</u>	<u>\$ 10,103,020</u>	<u>\$ 10,551,772</u>	<u>\$ 448,752</u>

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

City of Maple Valley
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
General Government				
City Council	\$ 123,658	\$ 123,658	\$ 112,047	\$ 11,611
City Manager	474,524	474,524	419,134	55,390
Human Resources	110,947	110,947	106,853	4,094
City Clerk	558,215	558,215	493,101	65,114
City Attorney	175,000	175,000	162,560	12,440
Finance	629,787	629,787	566,634	63,153
Total General Government	<u>2,072,131</u>	<u>2,072,131</u>	<u>1,860,330</u>	<u>211,801</u>
Community Development	981,502	1,056,002	934,926	121,076
Human Services	233,309	233,309	235,630	(2,321)
Parks and Recreation				
Administration	125,197	125,197	105,218	19,979
Parks Maintenance	390,010	390,010	403,274	(13,264)
Lake Wilderness Lodge	473,006	473,006	484,801	(11,795)
Recreation and Events	745,623	745,623	765,060	(19,437)
Capital	-	-	5,202	(5,202)
Community Service Agencies	58,467	58,467	57,086	1,381
Total Parks	<u>1,792,303</u>	<u>1,792,303</u>	<u>1,820,641</u>	<u>(28,338)</u>
Public Safety				
Police	3,708,972	3,706,972	3,626,137	80,835
Capital	15,500	15,500	-	15,500
Jail	139,000	139,000	186,142	(47,142)
Municipal Court	328,000	328,000	351,175	(23,175)
Emergency Operations Center	7,900	7,900	20,950	(13,050)
Total Public Safety	<u>4,199,372</u>	<u>4,197,372</u>	<u>4,184,403</u>	<u>12,969</u>
Public Works				
Administration	176,872	176,872	150,178	26,694
Transportation Planning	43,757	43,757	18,061	25,696
Street Maintenance	811,264	811,264	605,473	205,791
Waste Reduction & Recycling	151,514	151,514	137,236	14,278
Lake Management	101,184	101,184	89,059	12,125
Total Public Works	<u>1,284,591</u>	<u>1,284,591</u>	<u>1,000,006</u>	<u>284,585</u>
Total Expenditures	<u>\$ 10,563,208</u>	<u>\$ 10,635,708</u>	<u>\$ 10,035,935</u>	<u>\$ 599,773</u>

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

City of Maple Valley
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues over (under) Expenditures	\$ (458,891)	\$ (532,688)	\$ 515,837	\$ 1,048,525
Other Financing Sources (Uses)				
Transfer in from Surface Water Management Fund	101,184	101,184	88,461	(12,723)
Transfer out to Drug Seizure Fund	-	(703)	(3,000)	(2,297)
Transfer out to Capital Improvement Plan Fund	(479,206)	(479,206)	(429,206)	50,000
Transfer out to Central Services Fund	-	(2,000)	(2,000)	-
Transfer out to Lake Wilderness Golf Course	(54,637)	(124,637)	(54,187)	70,450
Total Other Financing Sources (Uses)	(432,659)	(505,362)	(399,932)	105,430
Net Change in Fund Balances	(891,550)	(1,038,050)	115,905	1,153,955
Fund Balance, January 1	2,994,217	2,994,217	2,994,217	0
Fund Balance, December 31	\$ 2,102,667	\$ 1,956,167	\$ 3,110,122	\$ 1,153,955

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

City of Maple Valley
Transportation Development Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services				
Transportation Impact Fees	\$ 519,268	\$ 519,268	\$ 668,257	\$ 148,989
Total Charges for Services	519,268	519,268	668,257	148,989
Miscellaneous Revenue				
Investment Earnings	72,119	72,119	50,276	(21,843)
Total Miscellaneous Revenue	72,119	72,119	50,276	(21,843)
Total Revenues	591,387	591,387	718,533	127,146
Other Financing Sources (Uses)				
Transfer out to CIP Fund-Interfund Loan	-	(700,000)	-	700,000
Transfer out to Capital Improvement Plan Fund	(1,811,572)	(1,811,572)	(1,555,889)	255,683
Total Other Financing Sources (Uses)	(1,811,572)	(2,511,572)	(1,555,889)	955,683
Net Change in Fund Balances	(1,220,185)	(1,920,185)	(837,356)	1,082,829
Fund Balance, January 1	6,483,740	6,483,740	6,483,740	(0)
Fund Balance, December 31	\$ 5,263,555	\$ 4,563,555	\$ 5,646,384	\$ 1,082,829

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

City of Maple Valley
Park Development Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue				
King County Open Space & Trails Levy	\$ 45,000	\$ 45,000	\$ 25,935	\$ (19,065)
Total Intergovernmental Revenue	45,000	45,000	25,935	(19,065)
Charges for Services				
Park Impact Fees	224,000	224,000	195,534	(28,466)
Contribution in lieu of Parks	-	-	47,735	47,735
Total Charges for Services	224,000	224,000	243,269	19,269
Miscellaneous Revenue				
Investment Earnings	16,276	16,276	16,234	(42)
Total Miscellaneous Revenue	16,276	16,276	16,234	(42)
Total Revenues	285,276	285,276	285,437	161
Other Financing Sources (Uses)				
Transfer out to Capital Improvement Plan Fund	(455,128)	(929,363)	(80,620)	848,743
Total Other Financing Sources (Uses)	(455,128)	(929,363)	(80,620)	848,743
Net Change in Fund Balances	(169,852)	(644,087)	204,817	848,904
Fund Balance, January 1	1,881,388	1,881,388	1,881,388	-
Fund Balance, December 31	\$ 1,711,536	\$ 1,237,301	\$ 2,086,206	\$ 848,904

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

City of Maple Valley
Real Estate Excise Tax Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Real Estate Excise Tax	\$ 654,000	\$ 654,000	\$ 801,022	\$ 147,022
Total Taxes	654,000	654,000	801,022	147,022
Miscellaneous Revenue				
Investment Earnings	17,075	17,075	18,141	1,066
Other Miscellaneous Revenue	77	77	24	(53)
Total Miscellaneous Revenue	17,152	17,152	18,165	1,013
Total Revenues	671,152	671,152	819,187	148,035
Other Financing Sources (Uses)				
Transfer out to Capital Improvement Plan Fund	(986,619)	(1,012,384)	(363,785)	648,599
Total Other Financing Sources (Uses)	(986,619)	(1,012,384)	(363,785)	648,599
Net Change in Fund Balances	(315,467)	(341,232)	455,402	796,634
Fund Balance, January 1	2,024,007	2,024,007	2,024,007	-
Fund Balance, December 31	\$ 1,708,540	\$ 1,682,775	\$ 2,479,409	\$ 796,634

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

City of Maple Valley
Drug Seizure Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous Revenue				
Investment Earnings	\$ -	\$ -	\$ 2	\$ 2
Confiscated and Forfeited Property	-	1,297	4,023	2,726
Total Miscellaneous Revenue	<u>-</u>	<u>1,297</u>	<u>4,025</u>	<u>2,728</u>
Total Revenues	<u>-</u>	<u>1,297</u>	<u>4,025</u>	<u>2,728</u>
EXPENDITURES				
Public Safety				
Operating	-	2,000	2,920	(920)
Total Expenditures	<u>-</u>	<u>2,000</u>	<u>2,920</u>	<u>(920)</u>
Revenues over (under) Expenditures	<u>-</u>	<u>(703)</u>	<u>1,105</u>	<u>1,808</u>
Other Financing Sources (Uses)				
Transfer in from General Fund	-	703	3,000	2,297
Total Other Financing Sources (Uses)	<u>-</u>	<u>703</u>	<u>3,000</u>	<u>2,297</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>4,105</u>	<u>4,105</u>
Fund Balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,105</u>	<u>\$ 4,105</u>

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

City of Maple Valley
Transportation Benefit District Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis)
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Transportation Benefit District Vehicle Fees	\$ -	\$ 161,201	\$ 147,728	\$ (13,473)
Total Taxes	<u>-</u>	<u>161,201</u>	<u>147,728</u>	<u>(13,473)</u>
Miscellaneous Revenue				
Investment Earnings	-	-	228	228
Total Miscellaneous Revenue	<u>-</u>	<u>-</u>	<u>228</u>	<u>228</u>
Total Revenues	<u>-</u>	<u>161,201</u>	<u>147,956</u>	<u>(13,245)</u>
EXPENDITURES				
Public Works				
Transportation				
Operating Expenditures	-	15,000	-	15,000
Total Expenditures	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Revenues over (under) Expenditures	<u>-</u>	<u>146,201</u>	<u>147,956</u>	<u>1,755</u>
Net Change in Fund Balances	<u>-</u>	<u>146,201</u>	<u>147,956</u>	<u>1,755</u>
Fund Balance, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, December 31	<u>\$ -</u>	<u>\$ 146,201</u>	<u>\$ 147,956</u>	<u>\$ 1,755</u>

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

**City of Maple Valley
Statement of Net Position
Proprietary Funds
December 31, 2013**

	Business-type Activities			Governmental Activities
	Surface Water Management	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,459,858	\$ 17,983	\$ 1,477,841	\$ 400,443
Investments	996,991	12,282	1,009,272	273,477
Receivables (net of uncollectibles)				
Customer Accounts	69,531	-	69,531	-
Due from Other Governments	12,478	-	12,478	-
Inventory	-	62,311	62,311	-
Prepaid Items	237	-	237	268
Total Current Assets	2,539,094	92,576	2,631,670	674,188
Noncurrent Assets:				
Capital Assets:				
Land	7,652,949	2,280,218	9,933,167	-
Buildings	18,245	1,040,000	1,058,245	-
Machinery, Equipment and Vehicles	-	234,822	234,822	1,272,118
Other Capital Assets	1,128,379	1,013,977	2,142,356	-
Less: Accumulated Depreciation	(331,408)	(619,763)	(951,170)	(807,172)
Total Noncurrent Assets	8,468,166	3,949,254	12,417,420	464,946
Total Assets	11,007,260	4,041,830	15,049,090	1,139,134
LIABILITIES				
Current Liabilities:				
Accounts Payable	40,004	60,106	100,110	29,318
Payroll Payable	3,439	-	3,439	9,521
Due to Other Governments	2,446	2,789	5,235	-
Deposits and Deferred Revenue	27,126	29,680	56,807	-
Total Current Liabilities	73,015	92,576	165,591	38,840
NET POSITION				
Net Investment in Capital Assets	8,468,166	3,949,254	12,417,420	464,946
Unrestricted	2,466,079	-	2,466,079	635,348
Total Net Position	\$ 10,934,245	\$ 3,949,254	\$ 14,883,499	\$ 1,100,293

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

City of Maple Valley
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities			Governmental
	Surface Water Management	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
Operating Revenues				
Charges for Service				
Surface Water Management Fees	\$ 1,161,519	\$ -	\$ 1,161,519	\$ -
Golf Operations	-	637,460	637,460	-
Restaurant Operations	-	250,199	250,199	-
Other Services	6,045	-	6,045	1,093,558
Total Operating Revenues	1,167,564	887,660	2,055,224	1,093,558
Operating Expenses				
Cost of Services	821,071	923,495	1,744,566	964,617
Depreciation	31,191	66,894	98,085	91,613
Total Operating Expenses	852,261	990,389	1,842,650	1,056,231
Operating Income	315,303	(102,729)	212,574	37,328
Nonoperating Revenue (Expenses)				
Intergovernmental Revenue	124,130	-	124,130	-
Investment Earnings	20,603	(42)	20,561	5,102
Contract Settlement	26,853	-	26,853	-
Other Interest Earnings (Expense)	7,611	148	7,759	-
Gain (Loss) on Retirement of Capital Assets	-	919	919	-
Total Nonoperating Revenue (Expenses)	179,197	1,026	180,222	5,102
Income before Contributions and Transfers	494,499	(101,703)	392,796	42,430
Contributions and Transfers				
Capital Contributions from Developers	49,030	-	49,030	-
Transfers in (out)	(513,193)	54,187	(459,006)	23,290
Total Contributions and Transfers	(464,163)	54,187	(409,976)	23,290
Change in Net Position	30,336	(47,516)	(17,180)	65,720
Total Net Position - January 1 ⁽¹⁾	10,903,909	4,006,020	14,909,929	1,131,042
Prior Period Adjustment (Note 14)	-	(9,250)	(9,250)	(96,468)
Total Net Position - December 31	\$ 10,934,245	\$ 3,949,255	\$ 14,883,500	\$ 1,100,293

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

City of Maple Valley
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

Page 1 of 2

	Business-type Activities			Governmental
	Surface Water Management	Lake Wilderness Golf Course	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 1,245,111	\$ 880,609	\$ 2,125,720	\$ 1,093,558
Cash Paid to Suppliers for Goods and Services	(802,534)	(898,733)	(1,701,267)	(914,391)
Net Cash Flows from Operating Activities	442,577	(18,124)	424,453	179,168
Cash Flows from Non-Capital Financing Activities				
Intergovernmental Revenue	124,130	-	124,130	-
Transfers to (from) Other Funds	(513,193)	54,187	(459,006)	-
Activities	(389,063)	54,187	(334,876)	-
Cash Flows from Capital and Related Financing Activities				
Capital Assets Purchased for Own Use	(208,945)	(19,377)	(228,323)	(168,342)
Proceeds from the Sale of Capital Assets	-	919	919	-
Capital Assets Purchased for Other Funds	-	-	-	23,290
Contract Settlement on Capital Project	26,853	-	26,853	-
Financing Activities	(182,092)	(18,458)	(200,551)	(145,052)
Cash Flows from Investing Activities				
Purchase of Investments	-	(7,329)	(7,329)	(27,889)
Proceeds from Investment Maturities	11,794	-	11,794	4,796
Interest on Investments	28,214	107	28,320	5,102
Net Cash Flows from Investing Activities	40,007	(7,223)	32,785	(17,991)
Net Change in Cash and Cash Equivalents	(88,571)	10,382	(78,189)	16,125
Cash and Cash Equivalents, January 1	1,548,429	7,601	1,556,031	384,318
Cash and Cash Equivalents, December 31	\$ 1,459,858	\$ 17,983	\$ 1,477,841	\$ 400,442

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

City of Maple Valley
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Business-type Activities</u>			<u>Governmental</u>
	<u>Surface Water Management</u>	<u>Lake Wilderness Golf Course</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities				
Operating Income	\$ 315,303	\$ (102,729)	\$ 212,574	\$ 37,328
Adjustments to Reconcile Operating Income to Net Cash Provided:				
Depreciation Expense	31,191	66,894	98,085	91,613
Change in Receivables (net of uncollectibles)	(9,114)	1,186	(7,928)	-
Change in Due from Other Governments	65,414	-	65,414	-
Change in Inventory	-	(7,810)	(7,810)	-
Change in Prepaid Items	(237)	-	(237)	26,936
Change in Accounts Payable	27,073	22,866	49,938	18,697
Change in Payroll Payable	145	-	145	4,852
Change in Due to Other Governments	(8,681)	1,897	(6,784)	(258)
Changes in Deposits and Deferred Revenue	21,483	(426)	21,057	-
Net Cash Flows from Operating Activities	\$ 442,577	\$ (18,124)	\$ 424,453	\$ 179,168
Non Cash Investing, Capital and Financing Activities				
Capital Contributions from Developers	\$ 49,030	\$ -	\$ 49,030	\$ -
Prior Period Adjustments - Capital Assets	-	(9,250)	(9,250)	(96,468)
Total Non Cash Investing, Capital and Financing Activities	\$ 49,030	\$ (9,250)	\$ 39,781	\$ (96,468)

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Maple Valley is a municipal corporation that operates under the Council / Manager form of government. The City has a non-partisan elected seven-member council that chooses from among its members a Mayor and Deputy Mayor. The Council appoints a professional City Manager. The accompanying financial statements of the City of Maple Valley have been prepared in conformity with generally accepted accounting principals (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.

Blended Component Unit - The Maple Valley Transportation Benefit District was formed by the City Council on November 26, 2012. The purpose of the District is to fund the maintenance, improvement and preservation of existing transportation facilities. The City of Maple Valley Council appointed itself to act as the seven-member governance board of the District. Although it is legally separate from the City of Maple Valley, the Maple Valley Transportation Benefit District is reported as if it were part of the primary government as a Special Revenue Fund because of its governance structure and because its sole purpose is to finance and construct City of Maple Valley streets. The District is funded by a \$20 excise tax on all vehicles registered within the City of Maple Valley. Under contract with the Washington State Department of Licensing, the vehicle excise taxes began collection in July 2013. There were no capital projects undertaken during 2013 that were funded by the District. As such, the only activity reported herein for 2013 for the District relates to the receipt of excise taxes. Separately issued financial statements are available from the City of Maple Valley Finance Director.

B. GENERAL ACCOUNTING STANDARDS

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

Since the issuance of the *Codification*, the GASB has issued other statements that amend, clarify or provide certain specific guidance on governmental financial reporting. The City has reviewed all applicable statements through GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, the last statement that has a 2013 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*,

City of Maple Valley
Notes to the Financial Statements
December 31, 2013

which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent, on fees and charges for support.

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

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

Separate financial statements are provided for governmental and proprietary funds. For governmental funds, the City does not distinguish between major and non-major funds, but reports each individual governmental fund in a separate column in the fund financial statements. For proprietary funds, the City reports in a separate column each enterprise fund, and in another column its combined internal service funds.

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.

City of Maple Valley
Notes to the Financial Statements
December 31, 2013

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 assets. 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.

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,

City of Maple Valley
Notes to the Financial Statements
December 31, 2013

- **Park Development Fund** – to account for park impact fees and other funds restricted for park capital improvements, and
- **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.
- **Transportation Benefit District Fund** – to account for the receipt and disbursement and/or transfer of vehicle excise taxes collected by the Maple Valley Transportation Benefit District, a blended component unit of the City.

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 it from development. The City has an agreement with Premier Golf Centers LLC to manage the facility through December 31, 2016.

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

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

F. FUND BALANCE POLICIES

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. INTERNAL CONTROL SYSTEM

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

B. BUDGET AND SPENDING CONTROL

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

The City of Maple Valley does not use encumbrance accounting. Governmental funds require expenditure budgetary control when compared to the annual budget. Unexpended budgeted amounts lapse at year-end unless specifically re-appropriated by Council action, which is only typically for capital projects. Proprietary funds require budgetary control at the revenue over (under) expenditure level, including transfers in from other funds and excluding depreciation. In 2013, there were no violations of budgetary control.

City of Maple Valley
Notes to the Financial Statements
December 31, 2013

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

The City Council holds public hearings and reviews the preliminary budget document during November and early December. The City Council then adopts, by State law by year-end, a budget ordinance appropriating funds at the fund level for the following year. An additional budget ordinance adopted in February or March of the budget year, re-appropriates Council approved prior year unexpended budgeted amounts, usually for capital projects only, and adjusts beginning fund balances to actual previous year end amounts.

Supplemental appropriations that amend total fund expenditures require a budget amendment ordinance approved by City Council. The City prepares monthly financial reports and reviews them with the City Council on a quarterly basis. The quarterly reports include a budget amendment ordinance if City Council actions during the quarter require one. The presentation of the year-end quarterly report includes the re-appropriating budget amendment ordinance as discussed above.

NOTE 3 CASH AND INVESTMENTS

Cash and cash equivalents include petty cash, a demand deposit checking account, and overnight investment in the State of Washington Local Government Investment Pool (LGIP). The petty cash accounts are included in the cash and cash equivalent amount of the General Fund. The other cash and cash equivalents along with other investments are accounted for within an internal City investment pool. Each City fund has equity in the pool. The beginning and ending month end equity positions are used to allocate monthly investment earnings.

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

The Washington State Local Government Investment Pool (LGIP), created by the Washington State Legislature in 1986, is managed and operated solely by the Office of the State Treasurer. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation.

City of Maple Valley
Notes to the Financial Statements
December 31, 2013

The advisory committee includes 12 members selected from the active pool participants. Eight members are appointed by the participant associations, and four are appointed by the State Treasurer.

The LGIP is considered extremely low risk and is recorded as a cash equivalent. The pool is unrated by financial rating agencies. It is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The City's position in the pool is the same as the value of the shares.

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

The WPDPC is a statutory authority established under RCW chapter 39.58. It constitutes a multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent 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.

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

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

The following summarizes the City's cash and investment activity at December 31, 2013.

City of Maple Valley
Notes to the Financial Statements
December 31, 2013

	Beginning Balance	Receipts and Investments Purchased	Disbursements and Investments Sold	Ending Balance
Cash & Cash Equivalents				
Petty Cash	\$ 16,200	\$ 1,500	\$ -	\$ 17,700
Demand Deposits	217,349	23,423,069	21,403,811	2,236,607
Investments (LGIP)	9,832,501	6,313,660	8,196,000	7,950,161
Total Cash & Cash Equivalents	\$ 10,066,050	\$ 29,738,229	\$ 29,599,811	\$ 10,204,468
Cash with Fiscal Agents	\$ 153,577	\$ -	\$ 153,577	\$ -
Investments				
Certificates of Deposit	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Other Investments	5,557,920	1,501,262	1,090,176	5,969,007
Total Investments	\$ 6,557,920	\$ 1,501,262	\$ 1,090,176	\$ 6,969,007

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 following table shows the investments held by the custody bank at year-end. They are shown both at cost and at fair value.

	Amortized Cost	Fair Market Value
Other Investments		
U.S. Government Securities	\$ 5,775,582	\$ 5,969,007

NOTE 4 RECEIVABLES AND OTHER SHORT-TERM ASSETS

Receivable and other short-term asset amounts at year-end totaled \$1,351,230, down \$256,151 from the prior year amount of \$1,607,381. The decrease is almost entirely related to a lower amount of Due from Other Governments for year-end grant billing as fewer projects with grant funding were in progress at the end of 2013 as opposed to the end of 2012. The following table summarizes the year-end receivables and short-term assets and compares the amounts to the prior year. All receivables are listed as net of allowances for uncollectible amounts, but no amounts are considered uncollectible.

**City of Maple Valley
Notes to the Financial Statements
December 31, 2013**

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Receivables (net of uncollectibles)						
Taxes	\$ 769,679	\$ 720,191	\$ -	\$ -	\$ 769,679	\$ 720,191
Accounts	73,540	31,727	69,531	61,603	143,071	93,330
Accrued Interest	54,033	46,962	-	-	54,033	46,962
Due from Other Gov'ts	299,578	582,302	12,478	77,893	312,056	660,195
Inventory	-	-	62,311	54,500	62,311	54,500
Prepaid Items	9,843	5,000	237	27,203	10,080	32,203
Total Receivables & Short-term Assets	\$ 1,206,673	\$ 1,386,182	\$ 144,557	\$ 221,199	\$ 1,351,230	\$ 1,607,381

The taxes receivable amount of \$769,679 is categorized as follows: property taxes, \$55,135; sales taxes, \$414,367; utility taxes, \$206,301; gambling taxes, \$11,021; and cable TV franchise fee \$82,855. The property taxes are billed and collected by King County and remitted to the City daily as collected. Of the property taxes receivable amount, 70.4% is from 2013 delinquencies, 17.2% is from 2012 delinquencies, with 12.4% 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 2014.

The accounts receivable amount of \$143,071, \$73,540 is in governmental activities for receivables from individuals, businesses, and developers and \$69,531 is in business-type activities which is for surface water management fees. Most of the accounts receivable in governmental activities is \$48,591 in overspent developer deposits. 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. Of the remaining governmental activities accounts receivable, \$1,400 is for fire permits billed in December 2013. In business-type activities, surface water management fee receivables are billed by King County with the property tax billing and are usually very collectible.

The due from other governments amount of \$312,056 is categorized as follows: from the State of Washington, \$130,894; from King County, \$102,637; from the Tahoma School District, \$54,725, from the City of Kent, \$22,808, and from the City of Enumclaw, \$992. Of the amount due from the State of Washington, \$94,283 is from a reimbursable grant on SR 169 & 271st PI intersection capital project, and a Surface Water Management grant. \$23,087 is for vehicle excise taxes collected by the State in December 2013 and remitted to the City in January 2014.

Of the amount due from King County, \$27,561 is for real estate excise taxes, collected by the County in December 2013 and remitted to the City in January 2014. \$12,478 is due from King County for surface water management fees collected by them but not yet remitted to the City. Also due from King County is a \$58,644 reconciliation amount based on a reconciliation process on the King County Sheriff's contract. The King County Sheriff's contract is billed to the City monthly based on the budget. After year-end closing, the Sheriff's office prepares a reconciliation of budget to actual for certain accounts and adjusts the first billing of the current year based on the results of the reconciliation of the prior year.

The amount due from the Tahoma School District relates to school impact fees inadvertently collected by the City and remitted to the District for permits issued outside the District's boundaries. The amount due was subsequently collected from the District after year-end and refunded to the developer.

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The amount due from the City of Kent relates to court revenue collected by them but not yet remitted to the City.

In business-type activities, the inventory amount of \$62,311 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 \$10,080 relate to miscellaneous 2014 costs required to be paid prior to the end of 2013.

NOTE 5 INTERFUND ACTIVITY

For the most part, the City does not use interfund receivables or payables unless they are required to fund a project pending receipt of grant funds. For 2013, the City did not have a year-end interfund receivable or payable. Other interfund activity is done on a cash basis. The Internal Service Funds are funded with month end cash receipts from the departments they provide service to. These charges are shown 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.

With respect to other transfers that are also cash based and no interfund receivables or payables apply, the following table shows the 2013 activity.

	Transfers	
	In	Out
General Fund	\$ 88,461	\$ 488,393
Transportation Impact Fee Fund	-	1,555,889
Park Development Fund	-	80,620
Real Estate Excise Tax Fund	-	363,785
Drug Seizure Fund	3,000	-
Capital Improvement Plan Fund	2,832,942	-
Surface Water Management Fund	-	513,193
Lake Wilderness Golf Course Fund	54,187	-
Central Services Fund	23,290	-
	\$ 3,001,880	\$ 3,001,880

The General Fund received transfer-in from the Surface Water Management Fund of \$88,461 to fund lake management expenditures in the General Fund.

The Drug Seizure Fund received a transfer-in of \$3,000 from the General Fund. The transfer was for the establishment of a drug buy revolving fund within the Drug Seizure Fund.

The Capital Improvement Plan Fund received transfers, as funds were budgeted and expended for capital projects: from the General Fund, \$429,206; from the Transportation Impact Fee Fund, \$1,555,889; the Park Development Fund, \$80,620; from the Real Estate Excise Tax Fund, \$363,785; and from the Surface Water Management Fund, \$403,443.

The Lake Wilderness Golf Course Fund received a transfer from the General Fund of \$54,187. In late 2010 a citizen committee recommendation included a rate increase proposal with funds set aside for

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capital and a down-sizing of the restaurant operation to which the entire operating loss was attributed. The stipulation was made that the City's General Fund would no longer subsidize operations. Great improvement was made in 2011-2013, but a subsidy was still required.

The Central Services Fund received a transfer from the Surface Water Management Fund of \$21,290 to partially cover the cost of a work-order system to be used by staff at Public Works, Parks and elsewhere. There was also a transfer-in of \$2,000 from the General Fund for the establishment of a revolving postage meter account within the Central Services Fund.

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 three years and a cost of more than \$5,000. If purchased or constructed, such capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair market value at the time of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as construction in progress until the projects are completed. The table that follows summarizes the City's capital asset activity during 2013.

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Capital Assets	Beginning Balance	Prior Period Adjustment	Beginning Balance (Restated)	Additions	Transfers	Retirements	Ending Balance
Governmental Activities							
Capital Assets not being depreciated							
Land	\$ 197,767,568	\$ -	\$ 197,767,568	\$ 10,667,917	\$ 1,450,385	\$ -	\$ 209,885,870
Construction in Progress	29,702,199	(5,351)	29,696,848	2,414,476	(24,058,234)	(234,731)	7,818,359
Total	227,469,767	(5,351)	227,464,416	13,082,393	(22,607,849)	(234,731)	217,704,229
Capital Assets being depreciated							
Buildings	9,176,610	(3,850)	9,172,760	5,202	1,524,414	(300,000)	10,402,376
Improvements Other Than Buildings	223,946,428	(11,361)	223,935,067	13,512,695	21,084,794	-	258,532,557
Machinery & Equipment	333,195	(159,932)	173,263	-	(1,359)	-	171,904
Machinery & Equipment (IS Funds)	1,428,972	(325,195)	1,103,777	168,342	-	-	1,272,119
Total	234,885,205	(500,337)	234,384,868	13,686,239	22,607,849	(300,000)	270,378,956
Accumulated Depreciation							
Buildings	(1,728,859)	-	(1,728,859)	(227,744)	-	73,425	(1,883,178)
Improvements Other Than Buildings	(109,101,217)	10,002	(109,091,215)	(6,836,006)	-	-	(115,927,221)
Machinery & Equipment	(199,556)	107,130	(92,426)	(12,825)	-	-	(105,251)
Machinery & Equipment (IS Funds)	(944,287)	228,727	(715,560)	(91,613)	-	-	(807,173)
Total	(111,973,919)	345,858	(111,628,061)	(7,168,187)	-	73,425	(118,722,823)
Net Capital Assets being depreciated	122,911,286	(154,479)	122,756,807	6,518,052	22,607,849	(226,575)	151,656,133
Governmental Activities, Net Capital Assets	\$ 350,381,053	\$ (159,830)	\$ 350,221,223	\$ 19,600,445	\$ (0)	\$ (461,306)	\$ 369,360,362
Business-type Activities							
Capital Assets not being depreciated							
Land	\$ 9,884,137	\$ -	\$ 9,884,137	\$ 49,030	\$ -	\$ -	\$ 9,933,167
Total	9,884,137	-	9,884,137	49,030	-	-	9,933,167
Capital Assets being depreciated							
Buildings	1,047,800	-	1,047,800	10,445	-	-	1,058,245
Improvements Other Than Buildings	1,943,856	-	1,943,856	198,500	-	-	2,142,356
Machinery & Equipment	243,260	(22,792)	220,468	19,732	-	(5,378)	234,823
Total	3,234,916	(22,792)	3,212,124	228,678	-	(5,378)	3,435,424
Accumulated Depreciation							
Buildings	(158,535)	-	(158,535)	(26,195)	-	-	(184,730)
Improvements Other Than Buildings	(499,080)	-	(499,080)	(65,319)	-	-	(564,399)
Machinery & Equipment	(214,037)	13,543	(200,494)	(6,571)	-	5,023	(202,043)
Total	(871,652)	13,543	(858,109)	(98,085)	-	5,023	(951,171)
Net Capital Assets being depreciated	2,363,264	(9,250)	2,354,014	130,593	-	(355)	2,484,252
Business-type, Net Capital Assets	12,247,401	(9,250)	12,238,151	179,623	-	(355)	12,417,420
Grand Total	\$ 362,628,454	\$ (169,079)	\$ 362,459,375	\$ 19,780,068	\$ (0)	\$ (461,661)	\$ 381,777,781

As described below in the prior period adjustment note, the City Council adopted a retroactive change to the City's capitalization threshold from \$1,000 to \$5,000. The effect of the change on 2012 ending capital assets is illustrated above. The impact of the change on 2012 ending Net Position of the City is described below in the prior period adjustment note.

In 2013 the City had a net capital asset increase of \$19,318,406. The amount reflects the fact that capital asset additions of \$27,046,340 are offset by increases in accumulated depreciation of \$7,266,272. The remaining difference is due to the retirement of assets that were not fully depreciated, \$461,661.

The net additions to land and improvements other than buildings represent developer contributions from Rock Creek Meadows, Reserve at Maple Valley, and 237th Ave SE for roads, as well as a drainage facility, turned over to the City with the expiration of the two year maintenance bond for the development. It also includes the capitalization of five transportation program projects, two facility program projects, and one park project.

The additions to construction in progress totaled \$2,414,476 for six capital projects that the City made expenditures on in 2013. The three significant projects were the SR169-Witte Road to SE 228th Ave,

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the SR169-SE 264th to 258th, and the SR169 & 271st PI Intersection. In 2013, an additional \$535,989 was spent of the \$3,227,870 budget for the SR169-Witte Road to SE 228th project that is expected to be completed in 2014. Also in 2013, an additional \$1,013,937 of a \$3,784,711 project budget was spent on the SR169-SE 264th St to SE 258th St that is also expected to be completed in 2014. Construction began on the SR169 & 271st PI Intersection and \$571,438 of a \$775,000 project budget was spent, this project is expected to be completed in 2014. Other construction in progress expenditures were primarily for the Witte Road project and the Lake Wilderness Park Dock project, along with the start of a 216th Ave SE road project scheduled for construction in 2014.

Machinery and equipment additions totaled \$188,074. The additions were as follows:

- In the governmental activities area, \$168,342 was added from Internal Service Fund purchases. The purchases included: a utility vehicle for the Parks Department; a Dodge Ram pickup for the Public Works Infrastructure Maintenance Manager; a Speed Monitoring Radar Trailer for Public Works Maintenance; a Ford Escape for a Building Inspector; the completion of the Elements Work Order software install; a website upgrade; miscellaneous Information Technology equipment; and audio-video upgrades to City Hall and Lake Wilderness Lodge.
- In the business activities area, \$19,732 was added for a pump control panel system at the Lake Wilderness Golf Course.

Retirements include a 30 x 45 tent from the Lake Wilderness Golf Course, as well as the demolition of the Summit Park House and the Lake Wilderness Park Gaffney House. It also includes three projects in construction in progress that were determined to be terminated projects.

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

<u>Capital Asset Types</u>	<u>Lives in Years</u>
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

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depreciation associated with the capital assets of the proprietary funds is shown on financial statements of the respective proprietary funds. The following table shows the amount of depreciation charged to each governmental function.

	Governmental Funds	Internal Service Funds	Total
General Government	\$ 7,668	\$ 91,613	\$ 99,281
Parks & Recreation	263,496	-	263,496
Public Works	6,805,410	-	6,805,410
	\$ 7,076,574	\$ 91,613	7,168,187
Proprietary Fund Depreciation			98,085
Total Depreciation			\$ 7,266,272

NOTE 7 PAYABLES AND OTHER SHORT-TERM LIABILITIES

Payables and other short-term liabilities at year-end totaled \$2,066,752, up \$238,403 from the prior year amount of \$1,828,349. The majority of the increase is in accounts payable related to capital projects as discussed below. The following table summarizes the year-end payables and short-term liabilities and compares the amounts to the prior year.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Accounts Payable	\$ 934,977	\$ 817,720	\$ 100,110	\$ 50,172	\$ 1,035,088	\$ 867,892
Payroll Payable	144,315	209,177	3,439	3,295	147,754	212,472
Due to Other Gov'ts	66,405	125,308	5,235	12,019	71,640	137,327
Deposits and Unearned Revenue	618,782	420,230	56,807	35,748	675,589	455,978
Compensated Absences	120,142	136,329	-	-	120,142	136,329
Accrued Interest Payable	16,540	18,351	-	-	16,540	18,351
Total Payables & Short-term Liabilities	\$ 1,901,161	\$ 1,727,115	\$ 165,591	\$ 101,234	\$ 2,066,752	\$ 1,828,349

The accounts payable increase of \$167,196 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 2014. The expense for these items is included in 2013 with a corresponding accounts payable accrual. The payroll payable decrease of \$64,718 is related to the accrued liability for severance payout and COBRA liability for two management-level positions that were eliminated at year-end in 2012 but did not exist at year-end in 2013. The due to other government's decrease of \$65,687 is primarily due to lower payables at year end for the court as well as less impact fees due to the school district and others at year-end.

The deposits and unearned revenue increase of \$219,611 is predominately related to developer deposits received in 2013 for new residential developments. At year-end the account category totaled \$675,589 in the following components: unearned revenue from developers of \$268,546; developer deposits of \$183,250; Lake Wilderness Lodge deposits and unearned revenue, \$166,987; Lake

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Wilderness Golf Course deposits and unearned revenue, \$29,680; and unearned surface water management revenue of \$27,126.

The unearned revenue from developers is for amounts collected from developers for their portion of the cost of future transportation improvement projects. Four amounts between \$6,929 and \$135,568 are being held to help complete City projects identified in the transportation plan. These amounts increased by \$87,766 during 2013.

The developer deposits are collected from applicants at the beginning of a development project. The amount increased \$100,495 from the 2012 amount of \$82,755 to \$183,250 with the completion of several development projects and either usage of or refunding the balance of the deposits at completion of the project. The amount of the developer deposit depends on the type of development and is based on the anticipated cost of project review. The City tracks staff time and consultant costs against the deposit amounts. Deposits that are overdrawn are billed. At year-end, overdrawn deposits are reclassified to accounts receivables as described in Note 4. The non-receivable amounts remain in the deposit account until all charges have occurred and the project is complete at which time the remaining balance is refunded.

Unearned revenue for the Lake Wilderness Lodge is for rental deposits collected in 2013 for events to be held in 2014. Unearned revenue for the Lake Wilderness Golf Course is for memberships, \$5,248; tournament and banquet deposits, \$12,626; and gift cards, \$11,807. The membership portion of the account increased \$182 as membership activity picked up versus the prior year. The unearned revenue for franchise fees is as discussed above. The unearned revenue for jail purposes is the City of Maple Valley share of the sale price of a piece of property that was intended for the construction of a suburban cities jail for use by all cities in King County. When the Jail Advisory Group, made up of suburban city members took a different direction, it was decided that the property would be sold with distributions to King County cities for jail purposes.

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. The vacation and compensatory time portion of the liability is \$98,932 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 \$13,719. It is also assumed to be current as the largest balance is for an employee who retired in early 2014. The City also accrues the cost of benefits for accumulated compensated absences. The benefit accrual was \$7,491 in 2013. 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, 2013 to December 31, 2013 on the City's general obligation bonds, \$11,463 and the interest due from July 1, 2013 to December 31, 2013 on the City's contracts and loans payable, \$5,077.

NOTE 8 LONG-TERM LIABILITIES

Long-term liabilities at year-end totaled \$5,370,830, down \$589,621 from the prior year amount of \$5,960,451. All of the City's long term liabilities are associated with the governmental activities. There

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are no long term liabilities for business-type activities. The following table summarizes the long-term liabilities and compares the amounts to the prior year.

	<u>Governmental Activities</u>	
	2013	2012
Contracts & Loans - Current	\$ 184,621	\$ 184,621
General Obligation Bonds - Current	425,000	405,000
Contracts & Loans Payable	1,846,210	2,030,830
GO Bonds Payable	2,915,000	3,340,000
Total Long-term Debt	\$ 5,370,830	\$ 5,960,451

On June 26, 2000 the City issued general obligation bonds totaling \$6,710,000. The bonds were issued so the City could purchase a 54-acre site that the Council considered a legacy opportunity. The bond issue was structured so that half of the 54-acre site was purchased with bond proceeds and the other half was purchased with City funds. In structuring the bonds in this manner, only half of the site is unencumbered by bond restrictions, offering greater development flexibility. The other half of the bond issue proceeds was allocated to fund other land purchases and for street improvements. All bond proceeds were spent by December 31, 2004, during a period of declining investment interest rates, so no arbitrage calculation was needed.

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%.

In addition to bonded debt, the City at December 31, 2013 had State infrastructure loans payable of \$2,030,831. 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.

	<u>Beginning</u>		<u>End</u>		<u>Due Within</u>
	Balance	Additions	Reductions	Balance	One Year
Governmental Activities					
State Infrastructure Loan	\$ 2,215,451	\$ -	\$ 184,621	\$ 2,030,830	\$ 184,621
2005 GO Refunding Bonds	3,745,000	-	405,000	3,340,000	425,000
Total Long-term Debt	\$ 5,960,451	\$ -	\$ 589,621	\$ 5,370,830	\$ 609,621

The remaining debt service schedule to maturity for the general obligation loans and bonds is shown in the table below.

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Year	Debt Service Requirements to Maturity			State Infrastructure Loan 0.5%			State Infrastructure Loan 0.5%		
	2005 Refunding GO Bonds			2005 Loan - SR 516 - Witte to 228th			2005 Loan - SR 169 - SR 516 to 264th		
	Principal	Interest	Balance	Principal	Interest	Balance	Principal	Interest	Balance
2014	\$ 425,000	\$ 137,551	\$ 2,915,000	\$ 75,356	\$ 4,145	\$ 753,558	\$ 109,265	\$ 6,010	\$ 1,092,652
2015	440,000	120,551	2,475,000	75,356	3,768	678,202	109,265	5,463	983,387
2016	455,000	102,951	2,020,000	75,356	3,391	602,846	109,265	4,917	874,122
2017	475,000	84,751	1,545,000	75,356	3,014	527,490	109,265	4,371	764,856
2018	495,000	65,158	1,050,000	75,356	2,637	452,135	109,265	3,824	655,591
2019-23	1,050,000	67,105	-	376,779	7,536	75,356	546,326	10,927	109,265
2024	-	-	-	75,356	377	(0)	109,265	546	(0)
Total	\$ 3,340,000	\$ 578,068	\$ -	\$ 828,913	\$ 24,867	\$ -	\$ 1,201,917	\$ 36,058	\$ -

Total debt service for the three issues above is illustrated below.

Year	<u>Governmental Activities</u>		
	Principal	Interest	Total
2014	\$ 609,621	\$ 147,705	\$ 757,326
2015	624,621	129,782	754,403
2016	639,621	111,259	750,880
2017	659,621	92,136	751,757
2018	679,621	71,619	751,240
2019-23	1,973,104	85,567	2,058,672
2024	184,621	923	185,544
Total	\$ 5,370,830	\$ 638,992	\$ 6,009,823

On February 21, 2012, the date of the last credit rating for the City, Standard and Poor's Rating Services affirmed the AA+ underlying rating on these bonds. As mentioned in the Subsequent Events note, the City issued non-voted limited tax general obligation bonds in early 2014.

In addition to the above debt, the City has other potential long term liabilities related to a non-cancelable operating lease for City Hall. The City's lease for City Hall expires December 31, 2019. For the year-ended December 31, 2013, the City expended \$325,184 for its office space lease up from the prior year amount of \$320,442. With respect to the City Hall lease, annual expenditures will increase at 2% a year plus or minus adjustments in the common area maintenance charges through December 31, 2019. The future minimum lease payments are as follows:

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City Hall Lease	
Minimum	
Year	Lease Payment
2014	\$ 347,645
2015	352,665
2016	357,750
2017	362,938
2018	368,231
2019	373,627
Total	\$ 2,162,856

The above amounts assume the current level of charges for common area maintenance, \$8,409.93 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

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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 unassigned except for a non-spendable amount for prepaid expenses, predominately prepaid rent on City Hall, as well as an amount assigned for the appropriation of fund balance for the subsequent year of \$600,385. The City has a policy requiring a fund balance of at least 16.7% of operating expenditures. At December 31, 2013, General Fund's assigned and unassigned fund balance was 31% of 2013 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 Impact Fee 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 Drug Seizure funds are required by State law to be separately accounted for and used exclusively for controlled substance law enforcement, DUI enforcement, etc.
- Unspent Transportation Benefit District funds result from the collection of vehicle excise taxes by the Maple Valley Transportation Benefit District, a blended component unit of the City, and are to be used for subsequent year transportation infrastructure improvements.

The remaining balance in the Capital Improvement Plan fund is committed by City Council for public art purposes.

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

1. Net investment in capital assets less associated debt;
2. Unrestricted for funds that can be spent for any purpose for which the fund was established.

Proprietary Funds are restricted for the purposes designated in the establishment of the funds, but are unrestricted within the fund.

- Unspent Surface Water Management funds are to be used for surface water management operating and capital purposes.
- Unspent Lake Wilderness Golf Course funds are to be used for golf operating and capital purposes. As of December 31, 2013, the Lake Wilderness Golf Course had no unspent funds as a transfer from the General Fund was needed to eliminate a deficit position. It is hoped that reorganized operations will reduce the need for a General Fund transfer in the near future.
- Unspent Vehicle Rental and Central Service funds are to be used for vehicle and equipment replacement.

City of Maple Valley
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- Unspent Unemployment Trust funds are to be used for unemployment compensation payments.

NOTE 10 PROPERTY TAXES

On an annual basis before December 31st, the City Council establishes the property tax levy amount for the following calendar year. The maximum allowable levy is established by increasing the highest levy of the last three years by no more than the lesser of 1% or the rate of inflation as measured by the implicit price deflator (IPD) as of September of each year, adding the value of new construction at the prior year's levy rate, and adding any unused banked capacity created by not levying the maximum amount in previous years. At the present time the City has no unused banked capacity. Once the levy amount is determined, it is divided by the assessed value to determine a levy rate. The levy rate must be below the maximum regular property tax levy rate as established by State law, except that levies approved by the voters can exceed the maximum regular property tax levy.

For all cities in Washington, the maximum regular property tax levy rate is \$3.60 per thousand dollars of assessed value. This maximum amount is not entirely available to the City of Maple Valley as it has separate fire or library districts serving its residents. At incorporation, the citizens of Maple Valley voted 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 2013, 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 \$1.55 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 2013 property taxes, the City's final revised levy was \$3,314,648 up \$111,520 or 3.8% from the 2012 revised levy of \$3,203,128. The levy amount produced a City levy rate of \$1.55 per thousand dollars of assessed valuation, up from \$1.38 the previous year. Of the revised levy amount for 2013, only \$55,135 or 1.7% remained outstanding at December 31, 2013. The outstanding amount for all prior year levies totals \$16,322. 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

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Eligible employees, depending on years of service, earn up to twelve hours of vacation leave and eight hours of sick leave per month. Vacation leave can be accumulated to a maximum of one year's accrual and used after a six-month trial service period. Sick leave can be accumulated in an unlimited amount but is only paid off at retirement from the State of Washington Public Employees' Retirement System (PERS) at 25% of its value. The accrual for unpaid vacation, compensated time off, and sick leave at December 31, 2013 is \$120,142 down from the 2012 amount of \$136,329. Of the total \$120,142, \$13,719 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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Payroll	\$ 3,175,329	\$ 3,240,304	\$ 2,945,100
PERS Payroll	2,651,133	2,781,627	2,553,730

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Medicare portion of Social Security	\$ 45,219	\$ 46,223	\$ 42,011
Substitute Social Security Plan (401(a))	179,922	176,041	152,858
Public Employees Retirement System (PERS)	217,285	200,177	160,080
	<u>\$ 442,426</u>	<u>\$ 422,441</u>	<u>\$ 354,949</u>

(1) 401(a) Plan

The 401(a) plan is social security replacement plan that defers federal income tax on employee contributions and allows employees to choose from a number of investment options for both their contributions and the employer's contributions. The 401(a) plan is a defined contribution plan. Contributions into the plan are 5.2% of payroll for the employer and 6.2% of payroll for the employee. The plan is administered by the International City/County Management Association Retirement Corporation (ICMA-RC), which also administers the City's 457 plan. With some exceptions based on age, employees become vested in the employer portion of the plan at 20% per year on their hiring date anniversary.

(2) PERS Plans

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

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of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service.

City of Maple Valley
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Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

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PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option. PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

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PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

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

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012 :

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

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

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

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

*** Plan 3 defined benefit portion only.

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

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

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Both the City of Maple Valley and the employees made the required contributions. The City of Maple Valley's required contributions for the three years ending December 31, 2013 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
PERS 1	\$ 10,494	\$ 8,927	\$ 7,564
PERS 2	201,881	186,869	148,508
PERS 3	4,909	4,381	4,251
	<u>\$ 217,285</u>	<u>\$ 200,177</u>	<u>\$ 160,323</u>
PERS Cost as % of PERS Payroll	8.20%	7.20%	6.28%

C. OTHER EMPLOYEE BENEFITS

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Worker's Compensation	\$ 42,415	\$ 50,738	\$ 43,591
Medical, Dental and Vision (Health)	540,708	527,344	463,362
Group Life and Long-term Disability	16,072	18,196	16,687
	<u>\$ 599,195</u>	<u>\$ 596,278</u>	<u>\$ 523,640</u>
Other Benefit Cost as a % of Total Payroll	17%	16%	16%

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, 2013, was \$540,708 or 17% of annual covered payroll and equaled the required contributions for the year. The group life insurance program payout is equal to the employee's annual salary. The disability program is at 60% of salary after 90 days.

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 162 Members.

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

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

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

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

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

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

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

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

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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.

Unemployment

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Claims Paid	\$ 13,994	\$ 3,739	\$ 6,322
Net Position	55,328	68,813	71,974

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

NOTE 13 COMMITMENTS

In the opinion of management, the City has recorded in its financial statements all known liabilities and the City's insurance coverage is adequate to pay all potential claims. At year-end there were no significant financial commitments that could affect the City financial position as all 2013 projects were essentially completed at year-end.

NOTE 14 PRIOR PERIOD ADJUSTMENT

The City of Maple Valley Council elected to increase their capitalization policy for capital assets from \$1,000 to \$5,000. The increase was applied retroactively to all previously acquired assets. As illustrated in the capital asset Note 6, the increase in the capitalization policy resulted in a decrease of \$528,480 in capital assets, \$359,401 in accumulated depreciation resulting in a net decrease of \$169,079 in capital assets.

The effect of the restatements on the City's beginning net position was as follows:

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	Balance - December 31, 2012, as Previously Reported	Decrease for Change in Capitalization Policy	Balance - January 1, 2013, as Restated
Statement of Net Position (Government-wide)			
Governmental Activities			
Net Position			
Net Investment in Capital Assets	\$ 344,420,602	\$ (159,830)	\$ 344,260,772
Restricted for:			
Street Capital Projects	6,483,739	-	6,483,739
Park Capital Projects	1,881,388	-	1,881,388
General Capital Projects	2,024,007	-	2,024,007
Unrestricted	3,504,917	-	3,504,917
Total Net Position, Governmental Activities	<u>358,314,653</u>	<u>\$ (159,830)</u>	<u>\$ 358,154,823</u>
Business-type Activities			
Net Position			
Net Investment in Capital Assets	12,247,401	(9,250)	12,238,151
Unrestricted	2,662,528	-	2,662,528
Total Net Position, Business-type Activities	<u>14,909,929</u>	<u>(9,250)</u>	<u>14,900,679</u>
Total Net Position	<u>\$ 373,224,582</u>	<u>\$ (169,079)</u>	<u>\$ 373,055,503</u>
	Balance - December 31, 2012, as Previously Reported	Decrease for Change in Capitalization Policy	Balance - January 1, 2013, as Restated
Amounts previously reported as Net Position on fund financial statements:			
Lake Wilderness Golf Course	\$ 4,006,020	\$ (9,250)	\$ 3,996,770
Vehicle Rental Fund	469,751	(14,840)	454,911
Central Service Fund	592,476	(81,628)	510,848
	<u>\$ 5,068,247</u>	<u>(105,718)</u>	<u>\$ 4,962,529</u>
Other general government capital assets not included in Net Position of fund financial statements		(63,362)	
Total impact of prior period adjustment on Net Position		<u>\$ (169,079)</u>	

The change in capitalization threshold was done to insure consistency with the Office of Management and Budget's Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein a threshold of \$5,000 is prescribed for federally funded capital assets. The new capitalization threshold is also consistent with the Government Finance Officers Association best practice, *Establishing Appropriate Capitalization Thresholds for Capital Assets*, wherein they recommend "in no case should a government establish a capitalization threshold of less than \$5,000 for any individual item."

NOTE 15 SUBSEQUENT EVENTS

The City of Maple Valley Council authorized on November 18, 2013 with Ordinance No. O-13-543 the issuance of up to \$1,600,000 of limited tax general obligation bonds for the purpose of partially funding

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the construction of recreational facilities at the Ravensdale Park and to pay debt issuance costs. The Ordinance authorized the sale of private placement bonds to qualified institutional buyers.

The bond sale closed on March 31, 2014. The \$1,530,000 principal amount 2014 Limited Tax General Obligation Bonds were issued 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 Council also adopted Ordinance No. O-13-544 on November 25, 2013 enacting a 3% cable television utility tax to be collected beginning in 2014. The tax is intended to be utilized for, and is expected to be approximately equal to, the annual debt service cost of the 2014 Limited Tax General Obligation Bonds issued for the Ravensdale Park project. The Ordinance specifies the tax will expire upon final maturity of the bonds on December 1, 2023.



ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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

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

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

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