

Washington State Auditor's Office
Financial Statements Audit Report

City of Sammamish
King County

Audit Period
January 1, 2008 through December 31, 2008

Report No. 1002495

Issue Date
November 16, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

November 16, 2009

Council
City of Sammamish
Sammamish, Washington

Report on Financial Statements

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

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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King County
January 1, 2008 through December 31, 2008**

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**Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters in Accordance
with *Government Auditing Standards***

City of Sammamish
King County
January 1, 2008 through December 31, 2008

Council
City of Sammamish
Sammamish, Washington

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sammamish, King County, Washington, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 14, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended for the information and use of management and the Council. 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.



BRIAN SONNTAG, CGFM
STATE AUDITOR

September 14, 2009

Independent Auditor's Report on Financial Statements

**City of Sammamish
King County
January 1, 2008 through December 31, 2008**

Council
City of Sammamish
Sammamish, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sammamish, King County, Washington, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed on page 5. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sammamish, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Street funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and the last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

September 14, 2009

Financial Section

**City of Sammamish
King County
January 1, 2008 through December 31, 2008**

REQUIRED SUPPLEMENTAL INFORMATION

Management's Discussion and Analysis – 2008

BASIC FINANCIAL STATEMENTS

Statement of Net Assets – 2008
Statement of Activities – 2008
Balance Sheet – Governmental Funds – 2008
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2008
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2008
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – 2008
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Street Fund – 2008
Statement of Net Assets – Proprietary Funds – 2008
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds – 2008
Statement of Cash Flows – Proprietary Funds – 2008
Statement of Net Assets – Fiduciary Funds – 2008
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – 2008
Notes to Financial Statements – 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sammamish (the "City"), we offer readers of the City's Annual Financial Report this narrative overview and analysis of the financial statements for the City for the fiscal year ended December 31, 2008. We encourage readers to consider the information in the preceding letter of transmittal and the financial statements and notes to the financial statements that follow.

Financial Highlights

Following are the City's financial highlights for the fiscal year ended December 31, 2008:

The City's assets exceeded its liabilities at the end of 2008 by \$381,548,428, an increase of \$10,711,137 over the 2007 ending net assets.

Of the \$381,548,428 in ending net assets, \$317,222,739 is invested in capital assets such as streets, land, and buildings and thus cannot be spent. The remaining \$64,325,689 is available to pay for ongoing operations and capital improvements.

The increase of \$10,711,137 in 2008 is composed of additions to net capital assets of \$4,092,715, \$1,619,264 that may be used only for surface water activities, and \$4,999,158 to fund future city operations and capital needs. Developer contributions of land, streets, and surface water facilities are responsible for \$2,849,118 of the \$4,092,715 increase in capital assets.

Two capital revenue sources, real estate excise taxes and transportation impact fees, were down \$2,567,199 in 2008 as the construction slowdown that began in 2007 continued throughout 2008. Total City revenues were about \$560,000 below 2007 revenues.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements which are presented in three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information in addition to the basic financial statements is also contained in this report.

Government-wide financial statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar to the financial reporting of private-sector businesses.

The *statement of net assets* presents information on all of the City's assets and liabilities, showing the difference between the two as net assets. Over time, increases or decreases in net assets may be one indicator of whether the financial health of the City is improving or deteriorating.

The *statement of activities* presents information showing how the city's net assets changed during the year. The net cost of each governmental and business-type activity is reported separately from taxes and other sources of revenue not related to a specific function. Activity on this statement is reported on the accrual basis of accounting, meaning that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, unpaid vendor invoices, and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). Governmental activities include general government (finance and administrative services), security (police and fire), physical and economic environment, transportation, mental/physical health, and culture and recreation. The City has one business-type activity, a surface water management utility.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or to meet certain objectives. The City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related and legal requirements. The City's funds are divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund statements focus on near term inflows and outflows of spendable resources as well as balances of spendable resources available at year end. Such information can be useful in evaluating the City's near term financing requirements and immediate fiscal health.

Because the focus of the governmental funds is narrower than that of the government-wide statements, it is useful to compare similar information in the governmental fund statements and the government-wide statements. In doing so, the reader may better understand the long term impact of the City's current year financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, the Parks Capital Improvement Fund and the Transportation Capital Improvement Fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds can be found in combining statements later on in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for both the general fund and the street fund as a basic financial statement. Other budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

Proprietary funds are used by governments to account for their business-type activities. Business-type activities

provide specific goods or services to a group of customers that are paid for by fees charged to those customers.

The City has two types of proprietary funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

Enterprise funds of the City are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's stormwater utility operating and capital activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to accumulate funds for vehicle replacement, account for insurance premiums and claims, and account for information technology activities. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities column of the government-wide statement of net assets.

Notes to the financial statements

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

Other information

The combining statements for other governmental funds and internal service funds are presented immediately following the notes section.

Government-wide Financial Analysis

Statement of net assets

As noted earlier, net assets may serve as a useful indicator of the city's financial position. The City's net assets at December 31, 2008 total \$381,548,428, an increase of

\$10,711,137 over 2007. Net assets of the City as of December 31, 2008 are summarized and analyzed below.

City of Sammamish's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 64,585,214	\$ 58,854,457	\$ 4,554,078	\$ 3,044,548	\$ 69,139,292	\$ 61,899,005
Capital assets, net of accumulated depreciation	<u>311,177,357</u>	<u>307,286,629</u>	<u>15,673,714</u>	<u>16,235,295</u>	<u>326,851,071</u>	<u>323,521,924</u>
Total assets	<u>\$375,762,571</u>	<u>\$366,141,086</u>	<u>\$ 20,227,792</u>	<u>\$ 19,279,843</u>	<u>\$ 395,990,363</u>	<u>\$ 385,420,929</u>
Long-term liabilities	\$ 10,098,068	\$ 10,794,705	\$ 690,877	\$ 739,342	\$ 10,788,945	\$ 11,534,047
Other liabilities	<u>3,408,192</u>	<u>2,743,524</u>	<u>244,798</u>	<u>306,067</u>	<u>3,652,990</u>	<u>3,049,591</u>
Total liabilities	<u>\$ 13,506,260</u>	<u>\$ 13,538,229</u>	<u>\$ 935,675</u>	<u>\$ 1,045,409</u>	<u>\$ 14,441,935</u>	<u>\$ 14,583,638</u>
Net assets						
Invested in capital assets, net of related debt	\$301,549,025	\$296,894,729	\$15,673,714	\$16,235,295	\$317,222,739	\$313,130,024
Restricted	205,936	937,609	-	-	205,936	937,609
Unrestricted	<u>60,501,350</u>	<u>54,770,519</u>	<u>3,618,403</u>	<u>1,999,139</u>	<u>64,119,753</u>	<u>56,769,658</u>
Total net assets	<u>\$362,256,311</u>	<u>\$352,602,857</u>	<u>\$19,292,117</u>	<u>\$18,234,434</u>	<u>\$381,548,428</u>	<u>\$370,837,291</u>

The largest component of the city's net assets reflects an investment of \$317,222,739, or 83% of total net assets, in capital assets net of any related outstanding debt issued to acquire those assets. The capital assets such as streets, trails, parks, and fire vehicles, are used to provide services to the citizens. Consequently, these assets are not available for future spending.

An additional portion of the City's net assets, \$37,819,358 or approximately 9.9%, is earmarked for general government construction projects such as renovation and construction of city parks, road improvements, and construction of a new maintenance center.

The remaining balance of net assets is divided between \$2,764,390 set aside for strategic planning and net assets intended to fund various activities of the city.

\$3,618,403 represents the unrestricted net assets of the city's business-type activities and may only be spent on surface water utility activities. Other functions of the city may access the remaining net assets of \$20,123,538 to meet ongoing obligations to citizens and creditors. Examples of other city obligations are public safety contracts, park sports field maintenance (mowing, fence repair), and ongoing street maintenance (snow removal, street sweeping, lane restriping, resurfacing).

Changes in net assets

As illustrated in the following table, the City's net assets increased approximately \$10.7 million from operations in 2008. The increase was split between the government activities (\$9.6 million) and the business-type activities (\$1.1 million).

This increase is explained in the governmental and business-type activities discussion beginning after this table. The graphs that follow the discussion compare

CITY OF SAMMAMISH

program revenues to program expenses for the governmental and business-type activities for 2008.

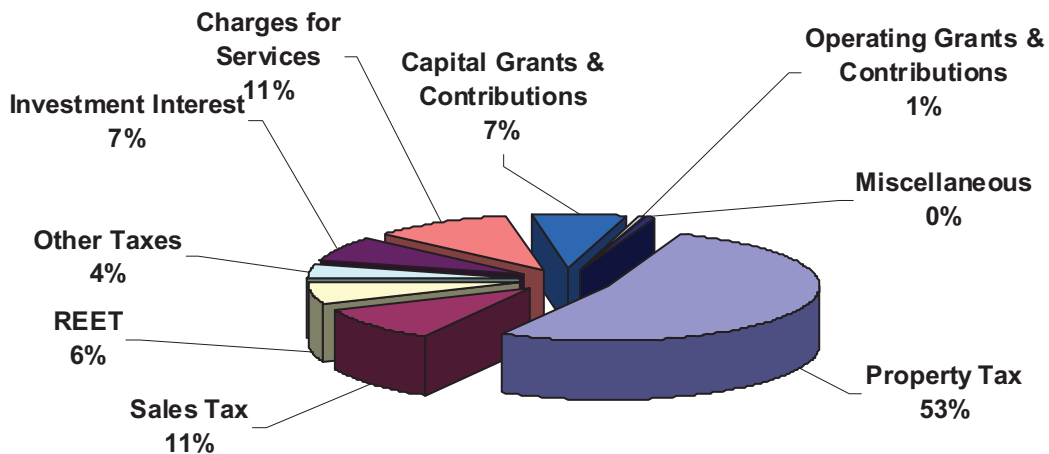
City of Sammamish’s Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program revenues						
Charges for services	\$ 4,000,996	\$ 5,589,502	\$ 2,341,796	\$ 2,289,914	\$ 6,342,792	\$ 7,879,416
Operating grants and contributions	220,375	413,320	5,014	60,000	225,389	473,320
Capital grants and Contributions	2,701,704	822,591	611,634	246,274	3,313,338	1,068,865
General revenues						
Property taxes	19,575,197	18,996,300	-	-	19,575,197	18,996,300
Sales taxes	3,940,496	3,970,185	-	-	3,940,496	3,970,185
Real Estate Excise taxes	2,393,100	3,455,007	-	-	2,393,100	3,455,007
Other taxes	1,491,083	1,534,755	-	-	1,491,083	1,534,755
Investment interest	2,708,441	3,006,620	128,629	144,898	2,837,070	3,151,518
Miscellaneous	<u>178,016</u>	<u>319,487</u>	<u>230</u>	<u>10,375</u>	<u>178,246</u>	<u>329,862</u>
Total revenues	<u>37,209,408</u>	<u>38,107,767</u>	<u>3,087,303</u>	<u>2,751,461</u>	<u>40,296,711</u>	<u>40,859,228</u>
Expenses:						
General government	4,649,758	5,590,482	-	-	4,649,758	5,590,482
Security	9,632,165	8,909,576	-	-	9,632,165	8,909,576
Physical environment	890,371	684,745	-	-	890,371	684,745
Economic environment	2,751,431	3,023,010	-	-	2,751,431	3,023,010
Transportation	5,524,321	7,873,170	-	-	5,524,321	7,873,170
Mental/physical health	11,633	9,340	-	-	11,633	9,340
Culture and recreation	3,904,831	2,319,021	-	-	3,904,831	2,319,021
Interest on long term debt	161,032	201,140	-	-	161,032	201,140
Stormwater	<u>-</u>	<u>-</u>	<u>2,060,032</u>	<u>2,108,476</u>	<u>2,060,032</u>	<u>2,108,476</u>
Total expenses	<u>27,525,542</u>	<u>28,610,484</u>	<u>2,060,032</u>	<u>2,108,476</u>	<u>29,585,574</u>	<u>30,718,960</u>
Increase in net assets before transfers	9,683,866	9,497,283	1,027,271	642,985	10,711,137	10,140,268
Transfers	<u>(30,412)</u>	<u>10,000</u>	<u>30,412</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Increase in net assets	9,653,454	9,507,283	1,057,683	632,985	10,711,137	10,140,268
Net assets – beginning	<u>352,602,857</u>	<u>343,095,574</u>	<u>18,234,434</u>	<u>17,601,449</u>	<u>370,837,291</u>	<u>360,697,023</u>
Net assets – ending	\$ <u>362,256,311</u>	\$ <u>352,602,857</u>	\$ <u>19,292,117</u>	\$ <u>18,234,434</u>	\$ <u>381,548,428</u>	\$ <u>370,837,291</u>

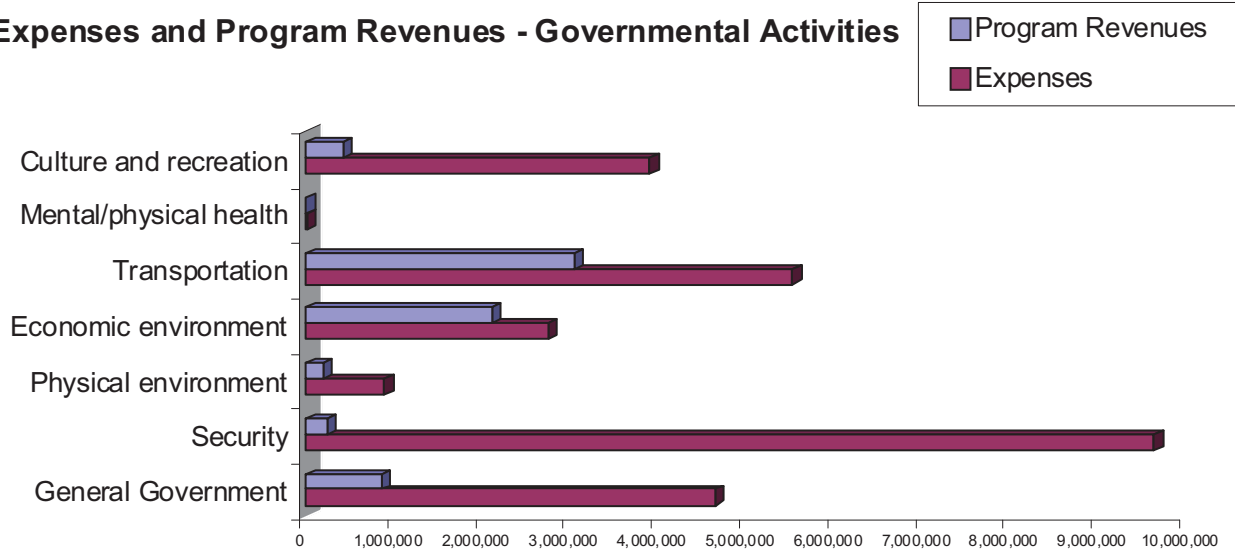
Governmental activities increased the City's net assets by \$9,653,454. The key factors giving rise to this increase were:

- Net capital asset additions made up \$4,654,296 of the governmental activities increase. Revenues to fund capital assets are recorded as program or general revenues in the statement of activities. The associated construction expenses are not recorded as expenses in the year of construction but rather are allocated to expense over the lives of the assets through depreciation expense.
- Revenues that support governmental activities were \$898,359 (2.5%) less than in 2007. All revenue sources decreased in 2008 with the exception of capital grants/contributions and property taxes.
- The \$1,879,113 increase in capital grants/contributions was fueled by developer contributions of assets. Property tax revenues increased \$578,897 for new construction and the legally allowable 1% annual increase.
- Sales tax revenues were down \$29,689 as consumer spending slowed and real estate excise taxes decreased \$1,061,907 with the continued slump in the real estate market. Continuing the trend from the end of 2007, development based revenues including building permits, plan check fees, and impact fees were down about \$1.6 million. Investment interest income decreased \$298,179 due to falling interest rates and early bond calls.
- Expenses for governmental activities decreased \$1,084,942 (3.8%) from 2007. Two functions, transportation and security, had significant changes in their expenses. Transportation expenses decreased \$2,348,849 primarily due to a change in the expected life of the City's streets which resulted in less expense for annual depreciation.. Expenses in the security function increased \$722,589 principally driven by increased contract costs for Police and Fire.

2008 Revenue by Source - Governmental Activities



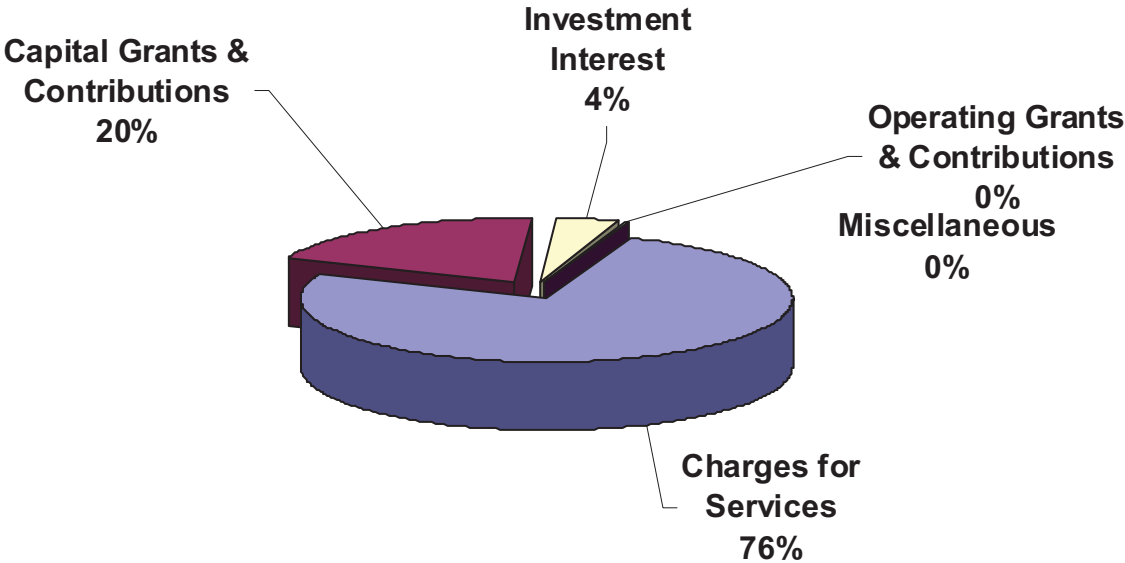
Expenses and Program Revenues - Governmental Activities



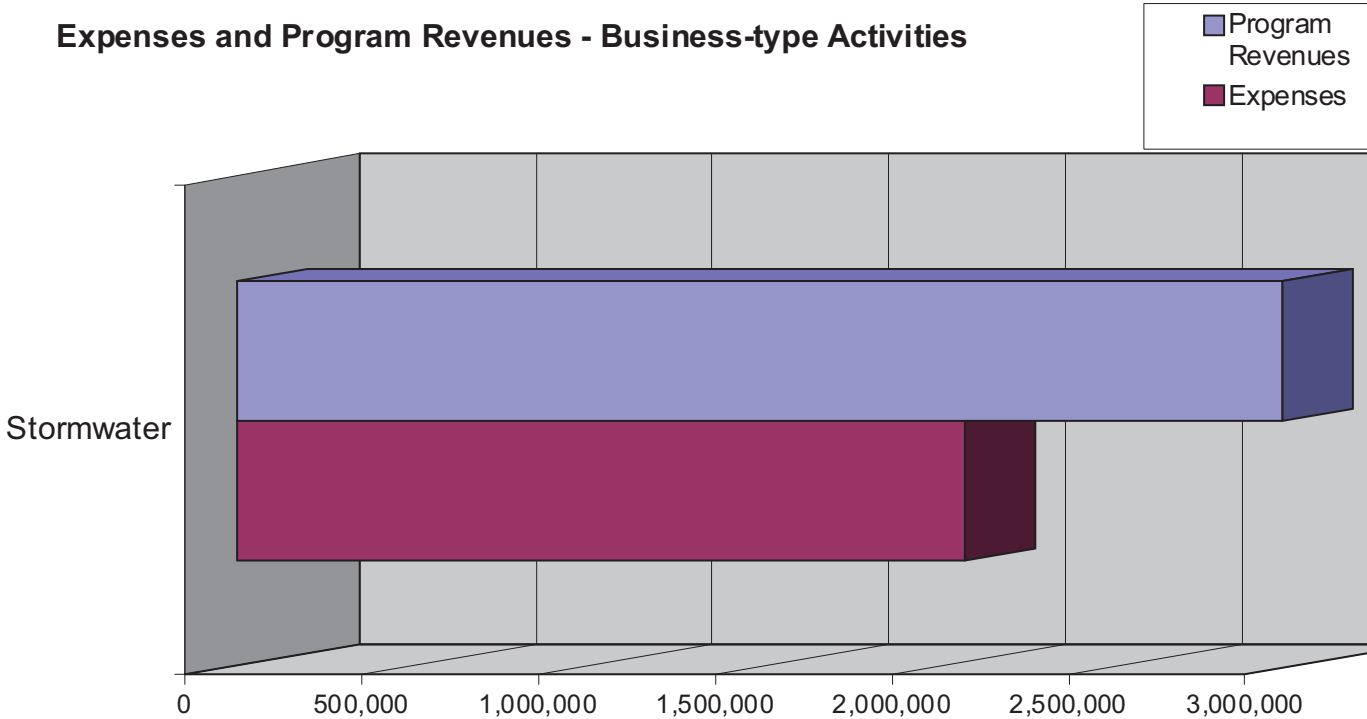
Business-type activities increased the City’s net assets by \$1,057,683, accounting for 9.9% of the total growth in the government’s net assets.

- Both revenues from and expenses for the business-type activities in 2008 were relatively unchanged from 2007. Annual revenues from surface water fees, grants, and cash contributions continue to exceed expenses by about \$570,000. The excess of revenues over expenses is used primarily to fund capital projects. The City also received \$487,664 in surface water facility contributions from developers in 2008.

Revenue by Source - Business Type Activities



Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Government's Funds

As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. This information helps determine the City's financial requirements in the near future. In particular, fund balance is a good indicator of the City's resources available at the end of the year.

At the end of the current year the City's governmental funds reported combined ending fund balances of \$56,088,634. This was an increase of \$4,525,807 or 8.8% over the ending fund balances of the prior year. The City plans to spend \$37,819,358 of these fund balances on capital projects and another \$2,820,959 on street maintenance and repair. \$2,764,390 is set aside for a strategic reserve with the remaining \$12,683,927 available for ongoing operations and City initiatives.

The general fund is the primary operating fund of the City. Receipts and payments of ordinary City operations are processed through the general fund, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2008 the fund balance of the general fund was \$15,448,317.

The general fund balance decreased \$344,065 from the prior year. Revenues and expenditures increased .95% and 7.9% respectively. Revenues exceeded expenditures in the general fund by \$8,913,435 in 2008. In keeping with the City's policy to fund capital projects on a pay as you go basis, net transfers out of the general fund totaled \$9,285,000, primarily to capital project funds.

General fund revenues were just \$267,031 higher in 2008 than in 2007. Property taxes, which increased \$472,124, are the primary source of revenue in the General Fund, at approximately 68% of the Fund's 2008 revenues. Intergovernmental revenues were higher in 2008 by \$189,075 due principally to federal and state emergency management grants. The economic slowdown and falling interest rates caused building permit and plan check fee revenues to fall \$72,760 and interest income to drop by \$327,000.

General fund expenditures were up \$1,426,621 in 2008. Just over half of the increase occurred in the security function that provides police and fire services. General fund expenditures are closely monitored with all departments working together to limit their expenditures with minimal impact on currently provided public services.

The Parks and Transportation capital improvements funds' ending fund balances were \$36,748,370, an increase of \$5,376,169 from 2007. Capital construction project expenditures were \$4,136,733 lower than in 2007 as the City stretched out its capital projects in response to the slowing economy. Although revenues and transfers exceeded 2008 expenditures, revenues to fund capital projects were down \$2.3 million in 2008, reflecting lower real estate excise taxes, investment interest, and impact fees. Major projects under construction in 2008 were East Lake Sammamish Parkway improvements, continued renovation of Pine Lake Park, and completion of the South Pine Lake Route street project.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City of Sammamish budgets on a biennial basis with each budget beginning in an odd numbered year in compliance with state law. The difference between the original 2007/2008 general fund budget adopted at the end of 2006 and the 2007/2008 biennial general fund budget at December 31, 2008 amounts to an increase of \$379,723.

Revenues increased/(decreased) in the following categories:

- Beginning Fund Balance \$ 1,726,259
- Taxes 1,523,167
- Interest Income 852,042
- Development Fees/Permits (4,554,606)
- Intergovernmental Revenues 149,982
- Fines and Forfeitures 213,881
- Miscellaneous 468,998

Most of the change is related to lower projected development revenues from the continued slowdown in the housing market in 2008. The City utilizes a mix of in-house staff and outside professional contracts to manage the inherent variance of development revenues.

Expenditure increases occurred in various functional areas and were as follows:

▪ Ending Fund Balance	\$ 715,464
▪ General Government	923,661
▪ Security	(23,937)
▪ Physical Environment	(69,455)
▪ Economic Environment	(148,085)
▪ Mental/Physical Health	840
▪ Culture and Recreation	(168,724)
▪ Capital Outlay	(2,260,041)
▪ Transfers	1,410,000

Capital Asset and Debt Administration

Capital Assets

The City of Sammamish’s investment in capital assets for its governmental and business-type activities as of December 31, 2008 amounts to \$326,851,071 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, art, construction in progress, utility transmission/distribution systems, roads, and bridges.

Major capital assets changes during 2008 included the following:

- Completed the replacement of picnic shelters at Pine Lake Park and began work on dock repair at a cost of \$707,164.
- Completed the South Pine Lake Route at a cost of \$1,988,002.
- Invested \$2,113,200 in two major road projects on 244th Ave. and on East Lake Sammamish Parkway.

City of Sammamish’s Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 216,378,388	\$ 215,600,104	\$ 771,622	\$ 854,841	\$ 217,150,010	\$ 216,454,945
Buildings/Building Improvements	12,703,836	12,530,461	28,895	545,624	12,732,731	13,076,085
Improvements other than buildings	19,304,113	20,373,356	14,285,012	14,405,700	33,589,125	34,779,056
Machinery and equipment	2,353,593	2,210,481	103,424	62,638	2,457,017	2,273,119
Construction in progress	5,407,129	2,990,783	484,761	366,492	5,891,890	3,357,275
Art	91,041	88,365	-	-	91,041	88,365
Software	15,875	10,884	-	-	15,875	10,884
Infrastructure	<u>54,923,382</u>	<u>53,482,195</u>	<u>-</u>	<u>-</u>	<u>54,923,382</u>	<u>53,482,195</u>
TOTAL	\$ <u>311,177,357</u>	\$ <u>307,286,629</u>	\$ <u>15,673,714</u>	\$ <u>16,235,295</u>	\$ <u>326,851,071</u>	\$ <u>323,521,924</u>

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

Long-term debt

At the end of the current fiscal year, the City had debt outstanding of \$10,288,890. Of this amount, \$2,695,000 is general obligation bonds and \$6,933,333 is a State of

Washington Public Works Trust Fund Loan. The balance is revenue debt of \$660,557 which was inherited from King County at incorporation in 1999.

CITY OF SAMMAMISH

General Obligation and Revenue Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation debt	\$ 9,628,333	\$ 10,406,666	\$ -	\$ -	\$ 9,628,333	\$ 10,406,666
Revenue debt	<u>-</u>	<u>-</u>	<u>660,557</u>	<u>718,140</u>	<u>660,557</u>	<u>718,140</u>
TOTAL	<u>\$ 9,628,333</u>	<u>\$ 10,406,666</u>	<u>\$ 660,557</u>	<u>\$ 718,140</u>	<u>\$ 10,288,890</u>	<u>\$ 11,124,806</u>

The City’s bond rating was upgraded from AA to AAA by Standard & Poors in 2008 following a thorough review of the City’s financial status.

Washington State statutes limit the amount of general obligation debt the City may issue to 5.0% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 5.0% limit, 2.5% is for general purposes and 2.5% for open space/park facilities. Non-voted (limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of unlimited tax and limited tax general obligation debt for all purposes cannot exceed 5.0% of assessed valuation. The City’s assessed valuation for 2008 was \$8,727,485,801 and remaining debt capacity is as follows:

General	\$218,187,145
Open Space/Park Facilities	<u>218,187,145</u>
TOTAL	<u>\$436,374,290</u>

The total amount of unlimited tax and limited tax general obligation debt the City may issue is \$436,374,290. Additional information on the City of Sammamish’s long-term debt can be found in Note 11 of this report.

Economic Factors and Next Biennium’s Budget

Several factors that affect the economic climate in Sammamish were considered when preparing the City’s 2009-2010 biennial budget. The outlook for the nation, state and region was weighed in relation to its expected impact on Sammamish. The character of the City, including its current and future business activity and its attraction as a place to live, was evaluated. Current financial position and the ability of the City to thrive under its adopted fiscal policies were also considered. Based on these factors, the City’s projection for the next biennium reflects a decreased level of new construction with a conservative undertone to anticipating any

economic recovery in 2010. The budget assumes that 2010 revenues will closely mirror 2009.

Sammamish’s operations are primarily funded by property taxes with few volatile sources of revenue that fund operating activities. To control fixed costs during economic ups and downs, the City operates with a lean staff, contracting out for many municipal services such as Police, Fire, and some development review. The combination of a stable operating revenue source and limited permanent staff has positioned the City well to weather the current economic downturn.

Two revenue sources dedicated to capital projects, real estate excise taxes and impact fees are lower than in recent years due to the weak economy. In response to the lower revenues and reduced growth in new homes and businesses, the City has delayed some projects until the economy recovers.

Sammamish has a history of excellent financial management and prudent fiscal policies. Adherence to these financial management practices and policies has served the City well and set the stage for a community that will thrive for many years to come.

Requests for Information

This financial report is designed to provide a general overview of the City of Sammamish’s finances for readers with an interest in the government’s finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Finance Director, City of Sammamish, 801 228th Ave SE, Sammamish, WA 98075.

CITY OF SAMMAMISH

STATEMENT OF NET ASSETS

December 31, 2008

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and Cash Equivalents	\$ 24,705,639	\$ 1,850,050	\$ 26,555,689
Cash with outside agencies	8,908	-	8,908
Investments (Note 4)	35,667,313	2,658,641	38,325,954
Receivables:			
Taxes	1,038,482	33,008	1,071,490
Accounts	619,833	-	619,833
Interest	317,238	23,413	340,651
Contracts (Note 6)	2,049,663	-	2,049,663
Due from Other Governments	35,255	5,014	40,269
Internal balances	16,048	(16,048)	-
Deferred charges	12,900	-	12,900
Restricted Assets:			
Deposit Cash	113,935	-	113,935
Capital Assets (Note 7):			
Land, artwork, construction in progress	221,876,558	1,256,383	223,132,941
Depreciable capital assets, net	<u>89,300,799</u>	<u>14,417,331</u>	<u>103,718,130</u>
Total Assets	<u>375,762,571</u>	<u>20,227,792</u>	<u>395,990,363</u>
LIABILITIES			
Accounts/claims Payable	2,756,662	244,798	3,001,460
Employee wages Payable	425,580	-	425,580
Interest	26,855	-	26,855
Due to other governments	1,723	-	1,723
Customer deposits	113,935	-	113,935
Unearned Revenues	74,529	-	74,529
Custodial deposits	8,908	-	8,908
Noncurrent Liabilities (Note 11):			
Due within one year	836,636	63,530	900,166
Due in more than one year	<u>9,261,432</u>	<u>627,347</u>	<u>9,888,779</u>
Total Liabilities	<u>13,506,260</u>	<u>935,675</u>	<u>14,441,935</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	301,549,025	15,673,714	317,222,739
Restricted for:			
Special revenue funds	77,545	-	77,545
Capital project funds	128,391	-	128,391
Unrestricted	<u>60,501,350</u>	<u>3,618,403</u>	<u>64,119,753</u>
Total Net Assets	<u>\$ 362,256,311</u>	<u>\$ 19,292,117</u>	<u>\$ 381,548,428</u>

See accompanying notes to the financial statements

CITY OF SAMMAMISH

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental activities:							
General government	\$ 4,649,758	\$ 678,620	\$ -	\$ 175,000	\$ (3,796,138)	\$ -	\$ (3,796,138)
Security	9,632,165	217,006	38,909	-	(9,376,250)	-	(9,376,250)
Physical environment	890,371	49,701	142,983	-	(697,687)	-	(697,687)
Economic environment	2,751,431	2,118,642	-	-	(632,789)	-	(632,789)
Transportation	5,524,321	519,911	30,358	2,526,704	(2,447,348)	-	(2,447,348)
Mental/physical health	11,633	-	-	-	(11,633)	-	(11,633)
Culture and recreation	3,904,831	417,116	8,125	-	(3,479,590)	-	(3,479,590)
Interest on long-term debt	161,032	-	-	-	(161,032)	-	(161,032)
Total governmental activities	<u>27,525,542</u>	<u>4,000,996</u>	<u>220,375</u>	<u>2,701,704</u>	<u>(20,602,467)</u>		<u>(20,602,467)</u>
Business-type activities:							
Surface Water Management	2,060,032	2,341,796	5,014	611,634	-	898,412	898,412
Total business-type activities	<u>2,060,032</u>	<u>2,341,796</u>	<u>5,014</u>	<u>611,634</u>	<u>-</u>	<u>898,412</u>	<u>898,412</u>
Total government	\$ <u>29,585,574</u>	\$ <u>6,342,792</u>	\$ <u>225,389</u>	\$ <u>3,313,338</u>	\$ <u>(20,602,467)</u>	\$ <u>898,412</u>	\$ <u>(19,704,055)</u>
General revenues							
Taxes							
Property					19,575,197		19,575,197
Sales					3,940,496		3,940,496
Real Estate Excise					2,393,100		2,393,100
Other					1,491,083		1,491,083
Unrestricted investment interest					2,708,441	128,629	2,837,070
Miscellaneous					178,016	230	178,246
Transfers, internal activities					(30,412)	30,412	-
Total general revenues and transfers					<u>30,255,921</u>	<u>159,271</u>	<u>30,415,192</u>
Change in net assets					9,653,454	1,057,683	10,711,137
Net assets - beginning					352,602,857	18,234,434	370,837,291
Net assets - ending					<u>362,256,311</u>	<u>19,292,117</u>	<u>381,548,428</u>

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General	Street	Parks CIP	Transportation CIP	Other Governmental Funds	Governmental Funds Total
ASSETS						
Cash and Cash Equivalents	\$ 6,651,166	\$ 1,258,836	\$ 3,770,899	\$ 11,628,050	\$ 506,413	\$ 23,815,364
Investments	9,721,883	1,809,028	5,253,761	16,875,514	727,747	34,387,933
Receivables:						
Taxes	829,504	-	104,489	104,489	-	1,038,482
Accounts	619,833	-	-	-	-	619,833
Interest	86,428	16,109	46,788	150,073	6,468	305,866
Contracts	2,049,663	-	-	-	-	2,049,663
Due from Other Governments	4,897	30,358	-	-	-	35,255
Restricted Assets:						
Cash with outside agencies	8,908	-	-	-	-	8,908
Deposit Cash	113,935	-	-	-	-	113,935
Total Assets	<u>\$ 20,086,217</u>	<u>\$ 3,114,331</u>	<u>\$ 9,175,937</u>	<u>\$ 28,758,126</u>	<u>\$ 1,240,628</u>	<u>\$ 62,375,239</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts/claims Payable	\$ 1,257,814	\$ 253,617	\$ 261,795	\$ 809,059	\$ 165,866	\$ 2,748,151
Employee wages Payable	425,580	-	-	-	-	425,580
Due to Other Governments	1,723	-	-	-	-	1,723
Payable from Restricted Assets:						
Deposits Payable	113,935	-	-	-	-	113,935
Custodial	8,908	-	-	-	-	8,908
Deferred Revenues	2,829,940	39,755	27,294	87,545	3,774	2,988,308
Total Liabilities	<u>4,637,900</u>	<u>293,372</u>	<u>289,089</u>	<u>896,604</u>	<u>169,640</u>	<u>6,286,605</u>
Fund Balances:						
Unreserved, reported in:						
General Fund	15,448,317	-	-	-	-	15,448,317
Special Revenue Funds	-	2,820,959	-	-	77,545	2,898,504
Capital Projects Funds	-	-	8,886,848	27,861,522	993,443	37,741,813
Total Fund Balances	<u>15,448,317</u>	<u>2,820,959</u>	<u>8,886,848</u>	<u>27,861,522</u>	<u>1,070,988</u>	<u>56,088,634</u>
Total Liabilities and Fund Balances	<u>\$ 20,086,217</u>	<u>\$ 3,114,331</u>	<u>\$ 9,175,937</u>	<u>\$ 28,758,126</u>	<u>\$ 1,240,628</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources						311,056,958
and thus not reported in the funds.						
Internal service funds are used by management to charge the costs of certain activities, such as insurance and information services, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets.						2,285,682
Deferred revenues are not available to pay for current period expenditures. (Note 3)						2,913,779
Due from Business type activities - charges by internal service funds were less than actual expenses.						16,048
Deferred bond discount charges are not available to pay for current period expenditures.						12,900
Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 3)						<u>(10,117,690)</u>
Net assets of governmental activities						<u>\$ 362,256,311</u>

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	General Fund	Street Fund	Parks CIP Fund	Transportation CIP Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 23,392,420	\$ -	\$ 1,291,415	\$ 1,196,550	\$ -	\$ 25,880,385
Licenses and Permits	1,307,177	-	-	-	-	1,307,177
Intergovernmental	1,015,572	921,801	301,257	-	-	2,238,630
Charges for Services	1,790,941	-	-	16,700	604,838	2,412,479
Fines and Forfeitures	108,656	-	-	-	-	108,656
Investment Income	560,316	86,688	265,381	935,236	38,304	1,885,925
Miscellaneous	260,704	28,291	-	165,250	-	454,245
Total Revenues	<u>28,435,786</u>	<u>1,036,780</u>	<u>1,858,053</u>	<u>2,313,736</u>	<u>643,142</u>	<u>34,287,497</u>
EXPENDITURES						
Current						
General Government	4,049,111	-	-	-	-	4,049,111
Security of Persons and Property	9,321,234	-	-	-	-	9,321,234
Physical Environment	871,089	-	-	-	-	871,089
Transportation	-	1,947,158	-	138,008	-	2,085,166
Economic Environment	2,729,931	-	-	-	-	2,729,931
Mental/Physical Health	11,633	-	-	-	-	11,633
Culture and Recreation	2,301,155	-	-	-	-	2,301,155
Capital Outlay	238,198	70,811	1,238,167	4,615,721	352,224	6,515,121
Debt Service	-	-	-	-	-	-
Principal	-	-	-	-	778,333	778,333
Interest and Debt Issue Costs	-	-	-	-	162,234	162,234
Total Expenditures	<u>19,522,351</u>	<u>2,017,969</u>	<u>1,238,167</u>	<u>4,753,729</u>	<u>1,292,791</u>	<u>28,825,007</u>
Excess (deficiency) of revenues over (under) expenditures	8,913,435	(981,189)	619,886	(2,439,993)	(649,649)	5,462,490
OTHER FINANCING SOURCES (USES)						
Disposition of Capital Assets	27,500	-	-	-	-	27,500
Transfers In	-	1,664,717	2,061,941	6,072,838	4,238,503	14,037,999
Transfers Out	(9,285,000)	-	(367,836)	(570,667)	(4,778,679)	(15,002,182)
Total other financing sources and uses	<u>(9,257,500)</u>	<u>1,664,717</u>	<u>1,694,105</u>	<u>5,502,171</u>	<u>(540,176)</u>	<u>(936,683)</u>
Net change in fund balances	(344,065)	683,528	2,313,991	3,062,178	(1,189,825)	4,525,807
Fund balances - beginning	15,792,382	2,137,431	6,572,857	24,799,344	2,260,813	51,562,827
Fund balances - ending	<u>15,448,317</u>	<u>2,820,959</u>	<u>8,886,848</u>	<u>27,861,522</u>	<u>1,070,988</u>	<u>56,088,634</u>

See accompanying notes to the financial statements.

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, 2008

Amounts reported for governmental funds in the statement of activities are different because:

Net change in fund balance-total governmental funds.	\$	4,525,807
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,515,121) exceeded depreciation (\$5,801,761) in the current period.</p>		
		713,360
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Note 3)</p>		
		3,665,185
<p>Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.</p>		
		778,333
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.</p>		
		51,628
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 3)</p>		
		(862)
<p>The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.</p>		
		<u>(79,997)</u>
Change in net assets of governmental activities.	\$	<u><u>9,653,454</u></u>

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 For the Biennium Ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	Actual Through 12/31/07	Actual 2008	Actual 2007-2008	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES						
Taxes	\$ 44,477,318	\$ 46,000,485	22,949,985	23,392,420	\$ 46,342,405	\$ 341,920
Licenses and Permits	3,325,900	2,702,615	1,544,415	1,307,177	2,851,592	148,977
Intergovernmental	1,495,600	1,645,582	826,497	1,015,572	1,842,069	196,487
Charges for Services	6,984,200	3,052,880	1,434,195	1,790,941	3,225,136	172,256
Fines and Forfeitures	59,400	273,280	132,030	108,656	240,686	(32,594)
Investment Income	600,000	1,452,042	887,365	560,316	1,447,681	(4,361)
Miscellaneous	216,768	685,766	394,268	260,704	654,972	(30,794)
Total Revenues	57,159,186	55,812,650	28,168,755	28,435,786	56,604,541	791,891
EXPENDITURES						
Current						
General government	8,807,236	9,730,897	3,618,993	4,049,111	7,668,104	2,062,793
Security of persons and property	17,919,425	17,895,488	8,573,760	9,321,234	17,894,994	494
Physical environment	1,585,560	1,516,105	625,188	871,089	1,496,277	19,828
Economic development	6,528,850	6,380,765	3,033,764	2,729,931	5,763,695	617,070
Mental/physical health	17,500	18,340	9,340	11,633	20,973	(2,633)
Cultural and recreation	4,923,550	4,754,826	2,163,876	2,301,155	4,465,031	289,795
Capital outlay	4,287,850	2,027,809	70,809	238,198	309,007	1,718,802
Total expenditures	44,069,971	42,324,230	18,095,730	19,522,351	37,618,081	4,706,149
Excess (deficiency) of revenues over (under) expenditures	13,089,215	13,488,420	10,073,025	8,913,435	18,986,460	5,498,040
OTHER FINANCING SOURCES (USES)						
Disposition of Capital Assets	-	-	-	27,500	27,500	27,500
Transfers out	(16,260,000)	(17,670,000)	(8,385,000)	(9,285,000)	(17,670,000)	-
Total other financing sources and uses	(16,260,000)	(17,670,000)	(8,385,000)	(9,257,500)	(17,642,500)	27,500
Net change in fund balance	(3,170,785)	(4,181,580)	1,688,025	(344,065)	1,343,960	5,525,540
Fund balance - beginning	12,378,100	14,104,359	13,501,081	15,792,382	13,501,081	(603,278)
Prior Period Adjustment	-	-	603,276	-	603,276	603,276
Fund balance - ending	9,207,315	9,922,779	15,792,382	15,448,317	15,448,317	5,525,538

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND

For the Biennium Ended December 31, 2008

	Original Budget 2007-2008	Final Budget 2007-2008	Actual Through 12/31/2007	Actual 2008	Actual 2007-2008	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES						
Intergovernmental	\$ 2,041,000	\$ 2,012,677	\$ 962,677	\$ 921,801	\$ 1,884,478	\$ (128,199)
Interest	60,000	228,715	128,715	86,688	215,403	(13,312)
Miscellaneous Revenue	150,000	42,659	14,659	28,291	42,950	291
Total Revenues	<u>2,251,000</u>	<u>2,284,051</u>	<u>1,106,051</u>	<u>1,036,780</u>	<u>2,142,831</u>	<u>(141,220)</u>
EXPENDITURES						
Current						
Transportation	3,738,600	3,864,396	1,819,071	1,947,158	3,766,229	98,167
Capital Outlay	1,176,875	188,996	111,995	70,811	182,806	6,190
Total Expenditures	<u>4,915,475</u>	<u>4,053,392</u>	<u>1,931,066</u>	<u>2,017,969</u>	<u>3,949,035</u>	<u>104,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,664,475)</u>	<u>(1,769,341)</u>	<u>(825,015)</u>	<u>(981,189)</u>	<u>(1,806,204)</u>	<u>(36,863)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	2,000,000	2,997,581	1,000,000	1,664,717	2,664,717	(332,864)
Transfers Out	-	(332,863)	-	-	-	332,863
Total other financing sources and uses	<u>2,000,000</u>	<u>2,664,718</u>	<u>1,000,000</u>	<u>1,664,717</u>	<u>2,664,717</u>	<u>(1)</u>
Net change in fund balance	(664,475)	895,377	174,985	683,528	858,513	(36,864)
Fund Balance - beginning	1,269,705	1,962,446	1,962,446	2,137,431	1,962,446	-
Fund balance - ending	<u>\$ 605,230</u>	<u>\$ 2,857,823</u>	<u>\$ 2,137,431</u>	<u>\$ 2,820,959</u>	<u>\$ 2,820,959</u>	<u>\$ (36,864)</u>

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2008

	Business-type Activities Enterprise Funds			Governmental Activities
	Surface Water Management	Surface Water Capital Projects	Total	Internal Service Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 390,407	\$ 1,459,643	\$ 1,850,050	\$ 890,275
Investments	561,040	2,097,601	2,658,641	1,279,380
Receivables				
Taxes	33,008	-	33,008	-
Due from other governments	5,014	-	5,014	-
Interest	4,984	18,429	23,413	11,371
Total Current Assets	994,453	3,575,673	4,570,126	2,181,026
Capital Assets:				
Land	87,500	684,122	771,622	-
Buildings	40,750	-	40,750	-
Improvements other than Buildings	-	19,527,337	19,527,337	-
Equipment	348,282	-	348,282	298,129
Construction in Progress	-	484,761	484,761	-
Software	10,470	-	10,470	27,328
Less accumulated depreciation/amortization	(267,183)	(5,242,325)	(5,509,508)	(205,058)
Total capital assets (net of depreciation/amortization)	219,819	15,453,895	15,673,714	120,399
Total noncurrent assets	219,819	15,453,895	15,673,714	120,399
 Total Assets	 \$ 1,214,272	 \$ 19,029,568	 \$ 20,243,840	 \$ 2,301,425
 LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 118,896	\$ 125,902	\$ 244,798	\$ 8,510
Compensated Absences	30,320	-	30,320	7,233
Current Contract Payable	-	60,498	60,498	-
Total Current Liabilities	149,216	186,400	335,616	15,743
Noncurrent Liabilities:				
Contracts Payable	-	600,059	600,059	-
Total Noncurrent Liabilities	-	600,059	600,059	-
 Total Liabilities	 149,216	 786,459	 935,675	 15,743
 NET ASSETS				
Invested in capital assets, net of related debt	219,819	15,453,895	15,673,714	120,399
Unrestricted	845,237	2,789,214	3,634,451	2,165,283
 Total net assets	 \$ 1,065,056	 \$ 18,243,109	 19,308,165	 \$ 2,285,682
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(16,048)	
Net assets of business-type activities			\$ 19,292,117	

See accompanying notes to the financial statements.

CITY OF SAMMAMISH

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2008

	Business-type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Surface Water Management	Surface Water Capital Projects	Total	
OPERATING REVENUES:				
Charges for Services	\$ 2,341,796	\$ -	\$ 2,341,796	\$ 310,000
Charges for Insurance	-	-	-	208,000
Total operating revenues	2,341,796	-	2,341,796	518,000
OPERATING EXPENSES:				
Administrative and General	817,468	61,981	879,449	187,554
Supplies	104,381	-	104,381	65,571
Maintenance and Operations	452,248	-	452,248	333,998
Taxes	36,096	-	36,096	-
Depreciation and Amortization	25,098	517,862	542,960	53,286
Total operating expenses	1,435,291	579,843	2,015,134	640,409
Operating Income (Loss)	906,505	(579,843)	326,662	(122,409)
NON-OPERATING REVENUES (EXPENSES)				
Interest and Investment Income	26,828	101,799	128,627	70,058
Grant Income	5,014	-	5,014	-
Interest Expense	-	(35,916)	(35,916)	-
Miscellaneous	230	-	230	-
Total non-operating revenues(expenses)	32,072	65,883	97,955	70,058
Income (loss) before contributions and transfers	938,577	(513,960)	424,617	(52,351)
Capital contributions		652,046	652,046	
Transfers In	-	650,000	650,000	95,000
Transfers Out	(660,000)	-	(660,000)	-
Change in net assets	278,577	788,086	1,066,663	42,649
Total net assets - beginning	786,479	17,455,023	18,241,502	2,243,033
Prior Period Adjustment	-	-	-	-
Total net assets - ending	\$ 1,065,056	\$ 18,243,109	19,308,165	\$ 2,285,682
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(8,980)	
Change in net assets of business-type activities			\$ 1,057,683	

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2008

	Business- type Activities - Enterprise Funds			Governmental Activites - Internal Services Funds
	Surface Water Management	Surface Water Capital Projects	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 2,339,650	\$ -	\$ 2,339,650	\$ 518,000
Cash Payments to Suppliers	(288,054)	-	(288,054)	(119,238)
Cash Payments to Employees	(534,309)	-	(534,309)	(135,867)
Cash Payments to Other Governments	(646,440)	-	(646,440)	(67,220)
Cash Payments for Other Operating Expenses	(67,727)	(17,037)	(84,764)	(267,593)
Net Cash Provided (Used) By Operating Activities	<u>803,120</u>	<u>(17,037)</u>	<u>786,083</u>	<u>(71,918)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	-	650,000	650,000	95,000
Grants	59,321	-	59,321	-
Principal Paid on Contracts	-	(41,418)	(41,418)	-
Interest Paid on Contracts	-	(18,476)	(18,476)	-
Transfers Out to Other Funds	(660,000)	-	(660,000)	-
Net Cash Provided (Used) By Noncapital financing activities	<u>(600,679)</u>	<u>590,106</u>	<u>(10,573)</u>	<u>95,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(64,404)	(716,265)	(780,669)	(17,784)
Proceeds from Sale/Transfer of Capital Assets	-	1,282,589	1,282,589	-
Proceeds from Sale of Other Assets	230	-	230	-
Capital Contributions	-	164,382	164,382	-
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(64,174)</u>	<u>730,706</u>	<u>666,532</u>	<u>(17,784)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Purchases	(561,039)	(2,097,600)	(2,658,639)	(1,279,379)
Investment Sales/Maturities	435,986	1,195,615	1,631,601	1,160,120
Interest on Investments	29,050	103,132	132,182	77,861
Net Cash Provided (Used) in Investing Activities	<u>(96,003)</u>	<u>(798,853)</u>	<u>(894,856)</u>	<u>(41,398)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,264	504,922	547,186	(36,100)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	348,143	954,721	1,302,864	926,375
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 390,407</u>	<u>\$ 1,459,643</u>	<u>\$ 1,850,050</u>	<u>\$ 890,275</u>
Cash at the End of the Year Consists of:				
Operating Fund Cash	390,407	1,459,643	1,850,050	890,275
Customer Deposits	-	-	-	-
Total Cash at End of Year	<u>\$ 390,407</u>	<u>\$ 1,459,643</u>	<u>\$ 1,850,050</u>	<u>\$ 890,275</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating Income (Loss)	\$ 906,505	\$ (579,843)	\$ 326,662	\$ (122,409)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	25,098	517,862	542,960	53,286
Decrease in Taxes Receivable	(2,147)	-	(2,147)	-
Increase (Decrease) in Accounts Payable	(116,092)	44,944	(71,148)	(3,018)
Increase in Compensated Absences Payable	9,118	-	9,118	223
Increase (Decrease) in Customer Deposits Payable	(19,362)	-	(19,362)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 803,120</u>	<u>\$ (17,037)</u>	<u>\$ 786,083</u>	<u>\$ (71,918)</u>

Noncash Investing, Capital and Financing Activities:

Fair value of investments increased by	\$ 1,236	\$ 8,532	\$ 9,768	\$ 1,326
Contributed Capital	-	487,664	487,664	-
Net Noncash Activities	<u>\$ 1,236</u>	<u>\$ 496,196</u>	<u>\$ 497,432</u>	<u>\$ 1,326</u>

See accompanying notes to the financial statements.

**NOTES TO THE
FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2008**

**NOTE 1:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sammamish was incorporated on August 31, 1999 and operates under the laws of the State of Washington applicable to a Council/Manager form of government. The voters elect at-large a seven member City Council to four year terms. The Council in turn elects a mayor and a deputy mayor from its members.

The City provides what are considered general government services including public safety, arterials and streets, parks and recreation, planning and zoning, permits and inspections, general administrative, and surface water management services. The City contracts for police and fire services.

The accounting and reporting policies of the City of Sammamish, which conform to generally accepted accounting principles for local governments, are regulated by the Washington State Auditor's Office.

Reporting Entity

The City's Annual Financial Report (AFR) includes all funds, agencies and boards controlled by or dependent on the City. Control by or dependence on the city was determined on the basis of financial accountability, budget adoption, taxing authority, outstanding debt service secured by revenues or general obligations of the city, obligations of the city to finance any deficits that may occur, or receipt of significant subsidies from the city.

Basic Financial Statements

The city's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been

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

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within sixty days after the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Under the modified accrual basis of accounting, property taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period.

Financial Statement Presentation

The city reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

The **Street Fund** is a special revenue fund. The street operating program is established to provide efficient and safe movement of both motorized and non-motorized vehicles as well as pedestrians within the limits of the City and to coordinate and provide convenient interconnect to the regional transportation system.

The **Parks and Transportation Capital Improvement Program (CIP) Funds** account for financial resources to be used for the acquisition or construction of park and transportation capital facilities other than those financed by proprietary funds.

The city reports the following major proprietary funds:

The **Surface Water Management Fund** accounts for utility operations, which are self-supported through user charges. The utility is financed and operated like a private business enterprise which requires periodic determination of revenues earned; expenses incurred, and net income for capital maintenance, public policy, management control, and accountability.

The **Surface Water Capital Projects Fund** was established to finance capital projects for the surface water utility system. Revenues are

derived from the system development charges and state and federal grants/loans and contributions.

Additionally the city reports the following fund type:

Internal service funds account for equipment rental and replacement, information technology and insurance services provided to other departments of the city on a cost reimbursement basis.

The city follows all applicable GASB pronouncements as well as private-sector standards of accounting and reporting issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The city has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds for information technology and risk management. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions.

Amounts reported as program revenues include 1) charges to customer for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The City of Sammamish budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. In compliance with the code, all funds have budgets. Budgets established for proprietary funds are "management budgets" and as such are not required to be reported in the financial statements.

The budget is proposed by the City Manager and adopted by the City Council with legal budgetary control at the fund level, i.e., expenditures and other financing uses may not exceed budgeted appropriations at the fund level. The City Manager may authorize transfers within funds; however, the City Council must approve by ordinance any additional appropriations, which increase the total for the fund. Any unexpended appropriation balances lapse at the end of the biennium.

In addition to authorizing the budget the City Council biennially approves the Capital Improvement Program. This is a six-year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the Capital Improvements Program Funds.

The City prepares its budgets on the modified accrual basis, which conforms to generally accepted accounting principles. The AFR includes budgetary comparisons for those governmental funds (excluding Capital Project Funds) with legally adopted budgets. Budget amounts include the adopted budget appropriations and any revisions made during the biennium.

State law establishes the budget process and the time limits under which a budget must be developed. The City adopts its biennial budget in December of the year preceding the first year of the biennial budget. Step one involves the identification by the City Council of the mission and objectives for the following biennium. The second step involves forecasting revenue and the establishment of a baseline budget to carry the existing programs into the next biennium. The third step involves the development by each department head of their departmental budget requests. The City Manager develops a preliminary budget that is presented to the Council for review and public hearings. The Council approves an ordinance to adopt the budget. Supplemental

appropriations that modify total fund expenditures require an ordinance amending the budget.

Assets, Liabilities and Equities

Cash and Investments

It is the City's policy to invest all temporary cash surpluses. These investments are reported on the Statement of Net Assets and the governmental funds balance sheets as cash and cash equivalents or investments. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, and investments with the Local Government Investment Pool. Interest is allocated to each fund on the basis of investments owned.

The City, by State law, is authorized to purchase Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission; U.S. Treasury and Agency Securities; bankers' acceptances and repurchase agreements, and to invest in the Washington State Treasurer's Local Government Investment Pool (2a7- like). In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

Receivables

The City of Sammamish recognizes receivables in its various funds based on the accounting basis required for that fund. These receivables are as follows:

Property Taxes

Uncollected property taxes levied for current and prior years are reported as receivable at year-end. The City's property tax collection records show that approximately 98% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore no allowance for uncollectable taxes is recorded.

Sales Taxes

Sales taxes collected for November and December but not remitted by the state to the City until January and February of the following year are reported as receivables at year-end. There is no allowance for uncollectable sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

Accrued Interest Receivable

Accrued interest receivable consists of interest earned on investments at the end of the year and interest on investments purchased between interest dates.

Accounts Receivable

Accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided.

Contracts Receivable

The City has two contracts receivable. Sammamish entered into an Asset Transfer Agreement with King County Fire Protection District No. 10 when it withdrew from District 10 and joined Eastside Fire and Rescue. The second contract is for the sale of land to the King County Library System. See Note 6.

Grants and Other Intergovernmental Revenues

Grants and entitlements from the Federal and State governments are recorded as intergovernmental revenues and receivables when earned and considered to be available. State shared revenues are recorded when received.

Deferred Charges

Deferred charges in the governmental activities consist of issuance costs for the 2002 LTGO Bonds amortized over a fifteen year period.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type

activities column of the government-wide statement of net assets and in the respective funds. Capital assets include land, buildings, machinery, equipment, software, other improvements, vehicles, artwork and infrastructure. Capital assets, other than infrastructure, are defined by the City as assets with an original cost of \$5,000 or more each and an estimated life of more than one year. The City reports infrastructure on a network basis. Accordingly, the amounts spent for construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. Where historical cost is not known, assets are recorded at estimated historical cost. Donated assets are valued at estimated fair market value at the time of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and works of art are not depreciated. Property, plant, equipment, and infrastructure of the city are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings/Building Improvements	27.5
Other improvements	15
Vehicles	10
Machinery & Equipment	3-20
Infrastructure	50

Compensated Absences

It is the city's policy to allow employees to accumulate earned but unused vacation, compensatory time in lieu of overtime, and sick leave benefits. All outstanding vacation leave is payable upon resignation, retirement, or death, to all employees having completed 6 months of service. Twenty-five percent of unused sick leave is payable at termination of employment or death. Outstanding sick leave at year-end is accrued at 25% of the balance available. All vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-Term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Revenues

Deferred revenues in the governmental fund financial statements consist of both unavailable revenues and unearned revenues. Unavailable revenues are measurable but not considered available to finance current obligations and, therefore, not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, the liability account is reduced and corresponding revenue is recorded. Unavailable revenues include uncollected property taxes, grants, and accounts receivable invoices not paid within 60 days of year end. Unearned revenues are those revenues received in advance of their due date. Unearned revenues consist of lease payments received in December for the following year.

Net Assets and Fund Equity

The amount reported as restricted net assets in the governmental activities column of the Statement of Net Assets is legally restricted through enabling legislation, the Revised Code of Washington.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund Deficits and Overexpenditures

During 2008 no City funds exceeded total authorized appropriations at the fund level.

**NOTE 3:
RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between total fund balances and total net assets as reported in the government-wide statement of net assets. The details of the aggregated differences are presented below.

Some revenues are not available to pay to pay for current period expenditures and therefore are reported in the funds:

Deferred revenues	\$ 2,988,308
Unearned revenues	<u>(74,529)</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 2,913,779</u>

Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

G.O. Bonds payable	\$ (2,695,000)
Unamortized discount on G.O. Bonds	13,291
PWTF loan payable	(6,933,333)
Compensated absences	(475,793)
Debt interest – long term	<u>(26,855)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (10,117,690)</u>

Explanation of aggregated differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The details of the aggregated differences are presented below.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property taxes	\$ 28,408
Development revenue/Grants	(395,591)
Interest Income	111,437
Sale of property on contract	602,834
Asset transfer between governmental and business-type activities	838,771
Developer / Private Contributions	<u>2,479,326</u>
Net adjustment to increase net change in fund balances – governmental funds to arrive at change in net assets – governmental activities	<u>\$ 3,665,185</u>

Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenses in the funds:

Interest payable on long-term debt	\$ 2,048
Amortized debt issue costs	(1,433)
Amortized debt discount	<u>(1,477)</u>
Net adjustment to reduce net change in fund balances – governmental funds to arrive at change in net assets – governmental activities	<u>\$ (862)</u>

**NOTE 4:
DEPOSITS AND INVESTMENTS**

Deposits

As of December 31, 2008 the carrying amount of the City's cash demand deposits with the City's Official Depository, Bank of America was \$7,336 and the bank balance was \$108,704. The outstanding checks totaled \$101,368. Petty cash funds totaled \$500. \$8,908 retained from contractors pending acceptance of City construction projects was held in escrow at various banks. The FDIC insures the first \$250,000 of the City's deposits. The Washington Public Deposit Protection Commission (WPDPC) insures the deposit balances over \$250,000. The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be

assessed on a pro rata basis to members of the pool in the event the pool's collateral should be insufficient to cover a loss.

Deposit Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits. The City does not have a formal policy for deposit custodial credit risk beyond the requirements of State statute. State law restricts deposit of funds to financial institutions physically located in Washington unless otherwise expressly permitted by statute and authorized by the WPDPC.

Investments

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 to 3</u>
Federal Farm Credit Bank	\$ 9,085,313	\$ -	\$ 9,085,313
Federal Home Loan Bank	6,030,000	-	6,030,000
Federal Home Loan Mortgage Corporation	11,090,236	-	11,090,236
Federal National Mortgage Association	9,088,125	-	9,088,125
Municipal Bonds	3,032,280	3,032,280	-
Local Government Investment Pool	<u>26,661,787</u>	<u>26,661,787</u>	<u>-</u>
Total	<u>\$64,987,741</u>	<u>\$ 29,694,067</u>	<u>\$35,293,674</u>

The City participates in the Washington State Treasurer's Local Government Investment Pool (LGIP), a 2a7-like pool. The fair value of the City's pool investments is determined by the pool's share price. The City has no regulatory oversight responsibility for the State Investment Pool. The LGIP is governed by the Washington State Finance Committee and is administered by the State Treasurer. The Office of the State Auditor, an independently elected public official, audits the LGIP annually.

Interest Rate Risk. As a means of minimizing risk of loss from interest rate fluctuations the City's official policy is to generally limit its investment maturities to one year. The City's informal policy is to target weighted average maturity of its investment portfolio to not exceed 24 months. The LGIP investment policy limits the purchase of investments in securities so the weighted average maturity of the portfolio doesn't exceed 90 days.

Credit Risk. Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. This is measured by the assignment of a rating by a nationally

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recognized statistical rating organization. The City, by State law, is limited to investments in obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, interest bearing bank accounts, commercial papers, certificates of deposit, repurchase agreements, and in the LGIP. Investments must have one of the three highest rating grades as defined by a nationally recognized rating agency. The City has no security lending arrangements or reverse repurchase agreements.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. By formal city policy investments in any one institution, other than the LGIP, are limited to 25% of the institution's net worth as established by the WPDPC as well as being limited to a maximum of 40% in any one issuer. The City's informal investment management policy limits its investments in any one issuer to a maximum of 20%. As of 12/31/2008 there was no concentration of credit risk exceeding the policy guidelines.

The following table displays the City's credit ratings and investments in any one issuer (other than the LGIP) that represents 5% or more of the total portfolio.

<u>Issuer</u>	<u>Credit Rating</u>	<u>Percentage of Portfolio</u>
Federal Farm Credit Bank	AAA	13.98%
Federal Home Loan Bank	AAA	9.28%
Federal Home Loan Mortgage Corporation	AAA	17.07%
Federal National Mortgage Association	AAA	13.98%

**NOTE 5:
PROPERTY TAXES**

Property Taxes

The King County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed on a daily basis.

	<u>Property Tax Calendar</u>
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

During the year, property tax revenues are recognized when cash is received. At year-end, uncollected property taxes are recognized as receivables and revenue. Amounts collected more than 60 days after year-end are deferred in governmental funds

Under Washington State law a city may levy property taxes up to \$3.60 per \$1,000 of assessed valuation.

The City's levy rate was also subject to the following:

Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction and annexations, unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.

The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

Accordingly, for 2008 the City levied \$2.23534 per \$1,000 of assessed value for general governmental services, and had no voter approved excess levy.

**NOTE 6:
CONTRACTS RECEIVABLE**

King County Fire Protection District 10: In 2001 the City entered into an Asset Transfer Agreement with King County Fire Protection District 10 when the City withdrew from District 10 and joined Eastside Fire and Rescue. The transfer agreement requires District 10 to pay \$1,788,803 to Eastside Fire and Rescue on behalf of the City of Sammamish over a twenty year period with no interest beginning in 2003 in

lieu of paying this entire amount to the City upon the City’s withdrawal from District 10.

King County Library System: In 2008 the City of Sammamish sold 1.465 acres of land to the King County Library System (KCLS) for \$825,000. A new library will be built on the land adjacent to City Hall at Sammamish Commons. The land will be paid for over a thirty year period at 5% interest.

	<u>Contract Amount</u>	<u>Paid to Date</u>	<u>Balance 12/31/08</u>
District 10	\$1,788,803	\$536,640	\$1,252,163
KCLS	<u>825,000</u>	<u>27,500</u>	<u>797,500</u>
Total Contracts Receivable	<u>\$2,613,803</u>	<u>\$564,140</u>	<u>\$2,049,663</u>

Annual contract payments receivable to maturity:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 101,444	\$ 39,875
2010	102,044	39,275
2011	102,674	38,645
2012	103,336	37,983
2013	104,030	37,288
2014-2018	531,852	174,741
2019-2023	465,800	151,353
2024-2028	137,889	121,503
2029-2033	175,985	83,407
2034-2038	<u>224,609</u>	<u>34,786</u>
	<u>\$2,049,663</u>	<u>\$758,856</u>

**NOTE 7:
CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2008 was as follows:

Primary Government

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 215,600,104	\$ 1,416,768	\$ (638,484)	\$ 216,378,388
Construction In Progress	2,990,783	5,295,542	(2,879,196)	5,407,129
Art	<u>88,365</u>	<u>2,676</u>	<u>-</u>	<u>91,041</u>
Total Capital Assets, Not Being Depreciated	<u>218,679,252</u>	<u>6,714,986</u>	<u>(3,517,680)</u>	<u>221,876,558</u>
Capital Assets, Being Depreciated/Amortized:				
Buildings/Building Improvements	14,035,958	752,592	-	14,788,550
Improvements Other than Buildings	23,481,710	503,937	(6,900)	23,978,747
Machinery & Equipment	5,172,101	486,530	(31,644)	5,626,987
Infrastructure	91,257,391	4,830,172	-	96,087,563
Software	<u>204,375</u>	<u>15,650</u>	<u>-</u>	<u>220,025</u>
Total Capital Assets, Being Depreciated/Amortized	134,151,535	6,588,881	(38,544)	140,701,872
Less Accumulated Depreciation/Amortization for:				
Buildings/Buildings Improvements	1,505,497	579,217	-	2,084,714
Improvements other than Buildings	3,108,354	1,573,180	(6,900)	4,674,634
Machinery & Equipment	2,961,620	343,418	(31,644)	3,273,394
Infrastructure	37,775,196	3,388,985	-	41,164,181
Intangibles	<u>193,491</u>	<u>10,659</u>	<u>-</u>	<u>204,150</u>
Total Accumulated Depreciation/Amortization	<u>45,544,158</u>	<u>5,895,459</u>	<u>(38,544)</u>	<u>51,401,073</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>88,607,377</u>	<u>693,422</u>	<u>-</u>	<u>89,300,799</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 307,286,629</u>	<u>\$ 7,408,408</u>	<u>(\$ 3,517,680)</u>	<u>\$311,177,357</u>

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	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 854,841	\$ 684,122	\$ (767,341)	\$ 771,622
Construction in Progress	<u>366,492</u>	<u>264,852</u>	<u>(146,583)</u>	<u>484,761</u>
Total Capital Assets, Not Being Depreciated	<u>1,221,333</u>	<u>948,974</u>	<u>(913,924)</u>	<u>1,256,383</u>
Capital Assets, Being Depreciated/Amortized:				
Buildings/Building Improvements	596,410	-	(555,660)	40,750
Improvements Other Than Buildings	19,130,164	397,173	-	19,527,337
Machinery & Equipment	283,879	64,403	-	348,282
Intangibles	<u>10,470</u>	<u>-</u>	<u>-</u>	<u>10,470</u>
Total Capital Assets, Being Depreciated/Amortized	<u>20,020,923</u>	<u>461,576</u>	<u>(555,660)</u>	<u>19,926,839</u>
Less Accumulated Depreciation/Amortization for:				
Buildings/Building Improvements	50,786	1,482	(40,413)	11,855
Improvements Other Than Buildings	4,724,464	517,861	-	5,242,325
Machinery & Equipment	221,241	23,617	-	244,858
Intangibles	<u>10,470</u>	<u>-</u>	<u>-</u>	<u>10,470</u>
Total Accumulated Depreciation/Amortization	<u>5,006,961</u>	<u>542,960</u>	<u>(40,413)</u>	<u>5,509,508</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>15,013,962</u>	<u>(81,384)</u>	<u>(515,247)</u>	<u>14,417,331</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 16,235,295</u>	<u>\$ 867,590</u>	<u>(\$ 1,429,171)</u>	<u>\$ 15,673,714</u>

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

Governmental Activities:

General Government	\$ 447,270
Security	309,783
Physical Environment	5,807
Economic Environment	1,015
Transportation, Including Depreciation of General Infrastructure Assets	3,431,788
Culture and Recreation	1,606,098

Capital assets held by the city's internal service funds are charged to the various functions based on their usage of those assets.

	<u>53,286</u>
Total Depreciation/Amortization Expense – Governmental Activities	<u>\$ 5,855,047</u>

Business-Type Activities:

Surface Water Management	\$ <u>542,960</u>
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Total Depreciation/Amortization Expense – Business-type Activities	<u>\$ 542,960</u>
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**NOTE 8:
PENSION PLANS**

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

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

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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

choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual benefit is 2% of the average final compensation (AFC) per year of service, capped at 60%. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 retirements from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% 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 may retire at the age of 65 with 5 years of service with an allowance of 2% of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3% per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced 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% annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a

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benefit calculated at 1% of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3% per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits – 71,244

Terminated Plan Members Entitled to but not yet Receiving Benefits – 26,583
 Active Plan Members Vested – 105,447
 Active Plan Members Nonvested – 52,575
 Total – 255,849

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and 7.5% for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15%; two of the options are graduated rates dependent on the employee’s age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

PERS Plan Information

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008 were as follows:

	PERS		
	PLAN 1	PLAN 2	PLAN 3
Employee:	6.00%****	5.45%****	****
Employer *:	8.31%**	8.31%**	8.31%***

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
- ** The employer rate for state elected officials is 12.39% for Plan 1 and 8.31% 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 5.45% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

	<u>PERS I</u>	<u>PERS II</u>	<u>PERS III</u>
2008	\$14,001	\$320,082	\$59,041
2007	\$10,535	\$229,817	\$44,462
2006	\$ 1,535	\$118,642	\$19,845

401(a) Plan

Permanent City employees participate in a 401(a) Plan that is a replacement of the Social Security System. Permanent employees working 1040 or more hours per year are required to participate in the plan. ICMA Retirement Corporation administers the plan.

The 401(a) Plan is a defined contribution plan with participants contributing an amount equal to the current Social Security rate (7.65%) of their salary. Employees contribute 6.2% to the 401(a) Plan and 1.45% to Medicare. The City contributes 6.2% for permanent employees. Employee contributions during 2008 were \$330,030. City contributions were \$341,463. The Medicare portion of social security contributed by employees was \$83,373.

Plan assets are not the property of the City and are not subject to the claims of the City's general creditors.

In 2008, the City instituted a new 401A plan as an employee retention vehicle. The City puts in 2% of the paid salary of the employee. The plan vests at 100% after 5 years of service. If an employee leaves before that time the dollars put into the plan for the employee default back to the city. In 2008, the City invested \$106,221.

Other Employee Benefits

Employees are also covered by a long-term disability plan that takes effect after 90 days. Coverage is provided at 67% of the employee's monthly salary. It is capped at a maximum payout of \$6,000 per month.

Life Insurance is provided equal to two times an employee's annual salary.

The City also offers its employees a voluntary 457 deferred compensation plan. ICMA Retirement Corporation administers this plan. The monies deposited to this plan are not considered resources available to the City. Employees may contribute up to \$15,500 of wages to this plan per year.

**NOTE 9:
CONSTRUCTION COMMITMENTS**

At December 31, 2008 the City had the following significant contractual obligations on construction projects.

Park Projects	\$ 891,644
Street Projects	<u>149,375</u>
Total	<u>\$1,041,019</u>

**NOTE 10:
INTERFUND TRANSFERS**

FUND	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$9,285,000
Street Fund	1,664,717	-
Traffic Impact/Mitigation Fund	-	1,462,838
G.O. Debt Service Fund	938,503	-
General Govt. CIP Fund	3,300,000	3,315,841
Parks CIP Fund	1,946,941	367,836
Transportation CIP Fund	6,187,838	570,667
Surface Water Management Fund	-	660,000
Surface Water Capital Projects Fund	650,000	-
Internal Service Funds	95,000	-
TOTAL TRANSFERS	<u>\$14,782,999</u>	<u>\$15,662,182</u>

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, to move receipts for debt service from the funds collecting the receipts to a debt service fund as payments become due, to use unrestricted revenues in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and to transfer

funds to the Fleet Maintenance Internal Service Fund for future replacement of city vehicles.

The transfers out exceeded the transfers in for 2008 by \$879,183 due to an exchange of land and a building for a vacant land between governmental and business-type funds.

**NOTE 11:
LONG-TERM OBLIGATIONS**

General Obligation Bonds

General obligation bonds are a direct obligation of the City for which its full faith and credit are pledged. Councilmanic bonds are general obligation bonds issued by the City without voter approval which must be paid from general City revenues. General obligation bonds approved by the voters are paid through an annual property tax levy authorized for this purpose. Debt

service is paid from the debt service fund. The City's general obligations bonds outstanding are as follows:

2002 Limited Tax General Obligation (LTGO) Bonds: In 2002 the City issued \$4,060,000 in councilmanic bonds. The bonds were sold with bond insurance, raising the rating to AAA from the underlying Standard & Poors rating of AA-. In 2008, Standard & Poors revised their rating to AAA. The proceeds were used for the purchase of land and subsequent development of the property referred to as Sammamish Commons.

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>	<u>Redemptions to Date</u>	<u>Outstanding 12/31/08</u>
2002 LTGO Bond	7/1/02	12/1/17	3.00%-4.625%	\$4,060,000	\$1,365,000	\$2,695,000
Total General Obligation Bonds				<u>\$4,060,000</u>	<u>\$1,365,000</u>	<u>\$2,695,000</u>

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Governmental Activities

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 255,000	\$ 114,261
2010	265,000	104,061
2011	275,000	93,461
2012	285,000	82,461
2013	295,000	71,061
2014-2017	<u>1,320,000</u>	<u>151,905</u>
	<u>\$ 2,695,000</u>	<u>\$ 671,210</u>

The 2002 LTGO bonds are presented in the Statement of Net Assets net of discounts. The gross bonds payable and discount are as follows:

Bonds Outstanding	\$2,695,000
Less: Unamortized Bond Discount	<u>(13,291)</u>
Bonds Outstanding, Net	<u>\$2,681,709</u>

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Public Works Trust Fund Loan

2001 GO Public Works Trust Fund Loan: State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. In May of 2001, the City transacted a General Obligation Public Works Trust Fund

Loan for transportation infrastructure improvements in the amount of \$10,000,000 at a rate of .5%. This loan has a term of 20 years.

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>	<u>Redemptions to Date</u>	<u>Outstanding 12/31/08</u>
2001 PWTF	5/11/01	5/18/21	.50%	\$ 10,000,000	\$ 3,066,667	\$ 6,933,333
Total Public Works Trust Fund Loan				<u>\$10,000,000</u>	<u>\$ 3,066,667</u>	<u>\$ 6,933,333</u>

Annual debt service requirements to maturity for the loan is as follows:

Governmental Activities

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 533,333	\$ 34,667
2010	533,333	32,000
2011	533,333	29,333
2012	533,333	26,667
2013	533,333	24,000
2014-2018	2,666,668	80,000
2019-2021	<u>1,600,000</u>	<u>16,000</u>
	<u>\$ 6,933,333</u>	<u>\$ 242,667</u>

The 2001 PWTF Loan and 2002 GO Bonds are presented in the statement of net assets.

Surface Water LTGO Revenue Bonds

Prior to incorporation in 1999, the area which is currently the City of Sammamish was part of King County. In 1996 and 1999 King County issued Limited Tax General Obligation (LTGO) bonds payable from revenues generated by King County Surface Water fees to fund capital projects. As part of the City's incorporation process a share of each bond issue, based on assessed

valuation of the City, became an obligation of the City although none of the projects financed by the bonds were built within the City limits. The City recognizes this debt obligation on its financial statements (per RCW 36.89.120) as a contract payable based on an interlocal contract with King County.

	<u>King County Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>City Share of Amount Issued</u>	<u>Redemptions to Date</u>	<u>Outstanding 12/31/08</u>
1996 LTGO Bond	2/10/96	1/01/16	5.0% - 5.25%	\$ 727,641	\$ 307,786	\$ 419,855
1999 LTGO Bond	5/01/99	12/1/19	4.0% - 5.25%	364,808	124,106	240,702
Total LTGO Bonds				<u>\$ 1,092,449</u>	<u>\$ 431,892</u>	<u>\$ 660,557</u>

Annual Debt service requirements to maturity for the revenue bonds are as follows:

Year	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 60,498	\$ 33,001
2010	63,404	30,095
2011	66,623	26,876
2012	70,196	23,303
2013	73,932	19,567
2014-2018	298,044	41,100
2019	<u>27,860</u>	<u>1,463</u>
	<u>\$ 660,557</u>	<u>\$175,405</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable					
General obligation bonds	\$2,940,000	-	\$ (245,000)	\$2,695,000	\$ 255,000
Less: issuance discount	<u>(14,767)</u>		<u>1,476</u>	<u>(13,291)</u>	
Total bonds payable	2,925,233	-	(243,524)	2,681,709	255,000
PWTF Loan	7,466,666	-	(533,333)	6,933,333	533,333
Compensated Absences	402,806	376,499	(296,279)	483,026	48,303
Governmental Activity					
Long-term liabilities	<u>\$ 10,794,705</u>	<u>\$ 376,499</u>	<u>(\$1,073,136)</u>	<u>\$10,098,068</u>	<u>\$ 836,636</u>
Business-Type Activities:					
LTGO Revenue Bonds	\$ 718,140	-	(\$ 57,583)	\$660,557	\$60,498
Compensated Absences	<u>21,201</u>	<u>22,628</u>	<u>(13,509)</u>	<u>30,320</u>	<u>3,032</u>
Business-type Activity					
Long-term liabilities	<u>\$ 739,341</u>	<u>22,628</u>	<u>(\$ 71,092)</u>	<u>\$ 690,877</u>	<u>\$ 63,530</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$7,233 of internal

service funds compensated absences are included in the above amounts. Compensated absences for governmental activities are liquidated in the governmental fund from which the employee's salary is paid.

**NOTE 12:
OTHER POST EMPLOYMENT BENEFITS**

Association of Washington Cities Employee Benefit Trust

Trust Description

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

Funding Policy

The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be

amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute \$343 per month for Medicare enrolled retiree-only coverage, \$644 per month for non-Medicare enrolled retiree-only coverage, \$1,289 for non-Medicare enrolled retiree and spouse coverage, \$987 for Medicare enrolled retiree and non-Medicare enrolled spouse (or non-Medicare enrolled retiree and Medicare-enrolled spouse) and \$686 for Medicare-enrolled retiree and spouse coverage.

Participating Employers are contractually required to contribute at rates assessed each year by the Trust for all active covered employees. The City requires employees hired after January 1, 2006 to contribute 10% of their dependent's premium costs. The City's contribution to the Trust for the year ended December 31, 2008 was \$840,848 and the employee's dependent premium contribution was \$18,149, which equaled the required contributions for the year. The Trust pays benefits for both active employees and retirees from the same pool of assets.

**NOTE 13:
CONTINGENCIES AND LITIGATION**

As of December 31, 2008, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, with which the City Attorney concurs, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability

resulting from all pending claims or lawsuits, would affect materially the financial condition of the City.

**NOTE 14:
RISK MANAGEMENT**

The City of Sammamish 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 129 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 purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and

earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for 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. These revenues directly offset portions of the membership's annual assessment.

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

For the past three years, the insurance settlements did not exceed the coverage that the City had obtained.

**NOTE 15:
JOINT VENTURES**

E-Gov Alliance

On March 25, 2002 The City of Bellevue and principal cities adopted a resolution establishing the E-Gov Alliance between the City of Bellevue and the cities of Bothell, Burien, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish, and Woodinville. Since then additional cities have joined the Alliance as subscribers. The Alliance establishes on-line services through a jointly operated internet portal. Additionally, the Alliance has established a partnership with Microsoft to help define the E-Gov architecture, provide consulting services, offer training, and receive donated software.

The interlocal agreement may be terminated if the principals holding at least sixty percent of the weighted vote of all the principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal

agreement shall be distributed to the principals based upon the principal's proportional ownership interest at the time of the sale of the property. The City's share of the net assets is deemed immaterial and thus not reflected in the financial statements.

Financial information may be obtained from Mollie Purcell, City of Bellevue, Information Technology Department, P.O. Box 90012, Bellevue, WA 98009-9012.

Expenditures consist of capital and operations costs, per the budget adopted by the E-Gov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Expenditures in 2008 were \$794,518. Revenues consist of annual fees from the member jurisdictions and subscribers of the E-Gov Alliance and are as follows:

Member*/Subscriber	Fees	Share
*Bellevue	\$ 183,000	24.4%
Snohomish County	90,000	12.1%
*Kirkland	73,000	9.7%
*Sammamish	62,000	8.3%
*Bothell	47,000	6.3%
*Mercer Island	36,000	4.8%
Renton	31,650	4.3%
*Kenmore	31,000	4.1%
*Issaquah	29,000	3.9%
Shoreline	20,500	2.7%
*Woodinville	17,000	2.3%
Burien	16,000	2.1%
*Snoqualmie	13,000	1.7%
Redmond	10,200	1.4%
Sno County-Paine	10,000	1.3%
Mukilteo	9,900	1.3%
Kent	8,200	1.1%
Mill Creek	7,000	0.9%
Enterprise Seattle	6,250	0.8%
Everett	6,180	0.8%
Auburn	6,100	0.8%
Sno County-EDC	6,000	0.8%
Duvall	5,500	0.7%
Gig Harbor	5,000	0.7%
Lynnwood	3,300	0.4%

Des Moines	2,700	0.4%
SeaTac	2,400	0.3%
Mountlake Terrace	2,000	0.3%
Tukwila	1,700	0.2%
Arlington	1,600	0.2%
East Pierce Fire	1,500	0.2%
Port Townsend	1,500	0.2%
Shoreline Fire	1,500	0.2%
Woodsinville Fire	1,125	0.2%
Snohomish	800	0.1%
Total	\$ 749,605	100%

* Members

Eastside Fire and Rescue

In 1999, through an interlocal agreement as provided by RCW 39.34, the consolidation of several agencies created a new Fire and Emergency Medical Services agency called Eastside Fire and Rescue (EF&R). The agencies (principals) joining in this consolidation included King County Washington Fire Protection Districts 10 and 38, and the Cities of Issaquah and North Bend, with the City of Sammamish joining in January 2001. The current Interlocal Agreement is for a seven-year period ending December 31, 2014. Any party may withdraw at the end of any seven-year term by filing with the other parties a notice of withdrawal in January of the seventh year.

At inception the principals provided real property and equipment for use by EF&R. Title and ownership of these capital assets and their replacements remains with the principals.

EF&R is a joint venture partnership. The entities retain an equity interest in EF&R based on their support of EF&R operations. As of December 31, 2008 the equity percentage was as follows:

<u>Entity</u>	<u>Share</u>
Fire District 10	45.72%
Fire District 38	5.72%
City of Issaquah	19.82%
City of North Bend	4.47%
City of Sammamish	24.27%

EF&R is governed by a Joint Board of Directors, which meets on the second Tuesday of each month. The Board consists of eight Directors appointed from each of the principal’s elected officials in the following ratios:

<u>Entity</u>	<u>Directors</u>
Fire District 10	2
Fire District 38	1
City of Issaquah	2
City of North Bend	1
City of Sammamish	2

The Districts levy regular real property and emergency medical services taxes at the maximum rate allowed by law. The Directors deposit taxes, as agreed upon and approved by the Directors, with the Board of Directors in June and December.

The amount of annual contribution for the Cities, and the amount of additional services contribution, if any, is determined by the respective legislative bodies, after recommendation by the Board of Directors. Annually, Cities contribute financially according to a funding model established in 2004. The model utilizes calls for service

CITY OF SAMMAMISH

to establish a first due area of response for each fire station and then applies the surrounding assessed value by jurisdiction to derive each jurisdiction's portion of cost for that station. The total of all stations establishes each partner's share of the total cost of operations. The EF&R Board then establishes a monthly billing schedule which

the partners are obligated to pay in a timely fashion. The funding model formula allocated 28.36% of the cost of operations to Sammamish. The Equipment Replacement funding uses the same contribution percentages against the total need established by the EF&R Board in concert with the operating budget.

The City's contributions through 2008 are as follows:

<u>Year</u>	<u>Contributions</u>
2001	\$ 3,700,000
2002	4,126,919
2003	4,210,270
2004	4,816,825
2005	5,087,776
2006	4,757,280
2007	4,962,366
2008	<u>5,318,112</u>
Total	\$36,979,548

All real and personal property acquired prior to the agreement remains the property of the acquiring member, with exclusive access and control over the property by EF&R. All property acquired pursuant to the Agreement shall be identified by the Board upon acquisition as joint or separate property. Upon termination of the Agreement, all separate property shall be returned to the owner; the net value of all jointly owned property shall be calculated, and each party shall receive or pay, as applicable, the total net amount to the other, in cash or jointly owned property. The city records the capital assets in the

Governmental Activities column of its Statement of Net Assets.

Upon dissolution, the agreement provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member. The City's remaining share of net assets is deemed immaterial and thus is not reflected in its financial statements.

Audited financial information can be obtained from Dave Gray, Eastside Fire and Rescue, 175 NW Newport Way, Issaquah, WA 98027.

ARCH-Housing Coalition

In November 1992, the City of Bellevue joined the cities of Redmond and Kirkland and King County to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 and November 1999 to add clarifying language regarding responsibility and dissolution. Since its inception, the Cities of Beaux Arts Village, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Mercer Island, Newcastle, Sammamish, Woodinville, and Yarrow Point have joined ARCH.

The purpose of ARCH is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritizes projects which the member cities fund directly

through their own grants, Community Development Block Grants, and HUD grants.

ARCH is governed by an Executive Board composed of the chief executive officer from each member. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population. The City's contributions for the last five years were as follows:

<u>Year</u>	<u>Budget</u>	<u>Sammamish's Share</u>	<u>Percentage</u>
2004	\$378,024	\$35,178	9.31%
2005	398,508	37,113	9.31%
2006	417,984	38,968	9.32%
2007	441,043	41,111	9.32%
2008	462,911	43,167	9.32%

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution the agreement, as amended, provides for distribution of net assets among members based on the percentage of the total annual contributions during the period of the Agreement paid by each member.

The City's share of net assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from ARCH, c/o Art Sullivan, 16225 NE 87th Street, Redmond, WA 98052.

**NOTE 16:
ARBITRAGE STATEMENT**

The City of Sammamish had no arbitrage liability at the end of 2008. The Public Works Trust Fund Loan proceeds were spent within twelve months of receipt.

The Long-term General Obligation Bonds issued in 2002 were under the \$5 million threshold.

**NOTE 17:
SUBSEQUENT EVENTS**

In late 2007 the City of Bellevue approved the sale of 6.6 acres that was deeded to Bellevue and 37 other cities, including Sammamish, by King County for a future jail and justice center. The transfer of title occurred when the County announced several years ago it would discontinue contracting with the municipalities in 2012 to provide misdemeanor jail services.

Proceeds from the sale of the property, which closed on March 16, 2009, were \$13 million and must be used by the cities to either build a jail or contract with a provider for jail services. The City of Sammamish will receive an estimated \$207,077 as a result of the sale.

**NOTE 18:
CHANGE IN DEPRECIATION LIFE**

In 2008, the expendable lives of the capital assets were reevaluated to make certain they reflected the actual length of service the various assets were being used. This resulted in a change in the lives of the infrastructure from 15 years to 50 years and in the vehicles from 5 years to 10 years. The accumulated depreciation that had been reported at the end of 2007 remained what had been expensed. The depreciation for the new remaining years of the capital asset was recalculated to take into effect the net value of the asset as of the end of 2007 with the remaining life of the assets. This change resulted in a

lesser amount of depreciation for 2008. The change in the depreciation of machinery & equipment resulted in a slightly lower amount for the year. However, the result of the change to the infrastructure resulted in a significant reduction of depreciation expense for the year.



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.

Our mission is to work in cooperation 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 our 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 continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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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