



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements and Federal Single Audit Report

City of Snoqualmie

King County

For the period January 1, 2014 through December 31, 2014

Published September 28, 2015

Report No. 1015264





Washington State Auditor's Office

September 28, 2015

Mayor and City Council
City of Snoqualmie
Snoqualmie, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Snoqualmie's financial statements and compliance with federal laws and regulations.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Federal Summary	4
Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	6
Independent Auditor’s Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	9
Independent Auditor’s Report On Financial Statements	12
Financial Section.....	15
About The State Auditor’s Office.....	39

FEDERAL SUMMARY

**City of Snoqualmie
King County
January 1, 2014 through December 31, 2014**

The results of our audit of the City of Snoqualmie are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control Over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
97.039	Hazard Mitigation Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

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

**City of Snoqualmie
King County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Snoqualmie
Snoqualmie, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Snoqualmie, King County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 24, 2015.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive, flowing style.

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 24, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**City of Snoqualmie
King County
January 1, 2014 through December 31, 2014**

Mayor and City Council
City of Snoqualmie
Snoqualmie, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Snoqualmie, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 24, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Snoqualmie King County January 1, 2014 through December 31, 2014

Mayor and City Council
City of Snoqualmie
Snoqualmie, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Snoqualmie, King County, Washington, for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System (BARS)* manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Snoqualmie has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Snoqualmie, for the year ended December 31, 2014, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Snoqualmie, as of December 31, 2014, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

September 24, 2015

FINANCIAL SECTION

**City of Snoqualmie
King County
January 1, 2014 through December 31, 2014**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014
Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014
Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014

City of Snoqualmie
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 General	101 Street Maintenance
Beginning Cash and Investments				
30810	Reserved	15,630,405	3,559,181	-
30880	Unreserved	1,741,266	1,122,030	92,547
388 & 588	Prior Period Adjustments, Net	-	-	-
Operating Revenues				
310	Taxes	12,422,474	10,964,348	-
320	Licenses and Permits	1,082,787	65,219	151,552
330	Intergovernmental Revenues	3,244,377	200,593	241,328
340	Charges for Goods and Services	14,298,070	1,918,275	-
350	Fines and Penalties	78,652	78,652	-
360	Miscellaneous Revenues	669,483	139,094	16,353
Total Operating Revenues:		<u>31,795,843</u>	<u>13,366,181</u>	<u>409,233</u>
Operating Expenditures				
510	General Government	4,206,548	2,320,625	-
520	Public Safety	7,423,427	7,423,427	-
530	Utilities	5,598,218	-	-
540	Transportation	1,541,463	19,345	761,772
550	Natural and Economic Environment	3,820,723	328,333	-
560	Social Services	2,353	2,353	-
570	Culture and Recreation	1,994,638	1,882,743	-
Total Operating Expenditures:		<u>24,587,370</u>	<u>11,976,826</u>	<u>761,772</u>
Net Operating Increase (Decrease):		<u>7,208,473</u>	<u>1,389,355</u>	<u>(352,539)</u>
Nonoperating Revenues				
370-380, 395 & 398	Other Financing Sources	745,588	65,707	161
391-393	Debt Proceeds	30,602	30,602	-
397	Transfers-In	2,765,841	115,660	528,026
Total Nonoperating Revenues:		<u>3,542,031</u>	<u>211,969</u>	<u>528,187</u>
Nonoperating Expenditures				
580, 596 & 599	Other Financing Uses	610,327	534,462	9,015
591-593	Debt Service	1,577,716	275,196	375
594-595	Capital Expenditures	5,050,645	72,921	13,835
597	Transfers-Out	2,765,842	748,711	46,856
Total Nonoperating Expenditures:		<u>10,004,530</u>	<u>1,631,290</u>	<u>70,081</u>
Net Increase (Decrease) in Cash and Investments:		<u>745,974</u>	<u>(29,966)</u>	<u>105,567</u>
Ending Cash and Investments				
50810	Reserved	16,024,921	3,299,662	-
50880	Unreserved	2,092,724	1,351,585	198,114

The accompanying notes are an integral part of this statement.

110 Hotel/Motel Tax	113 King County Trails Levy	115 Snoqualmie Ridge Capital Mitigation	116 Real Estate Excise Tax	117 Solid Waste/Recycling	118 Drug Enforcement
27,721	53,450	105,046	394,052	-	12,112
-	-	-	-	90,322	-
-	-	-	-	-	-
60,373	6,665	-	1,120,746	-	-
-	-	-	-	46,856	-
-	-	-	-	30,203	-
-	-	88,045	-	2,671	-
-	-	-	-	-	-
(28)	55	382	(927)	374	7,272
<u>60,345</u>	<u>6,720</u>	<u>88,427</u>	<u>1,119,819</u>	<u>80,104</u>	<u>7,272</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	23,183	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
58,662	-	-	-	-	-
<u>58,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,183</u>	<u>-</u>
1,683	6,720	88,427	1,119,819	56,921	7,272
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	62,987	-	-
-	-	-	9,790	-	-
-	17,404	-	-	-	-
-	-	100,000	520,000	138,856	-
-	<u>17,404</u>	<u>100,000</u>	<u>592,777</u>	<u>138,856</u>	<u>-</u>
1,683	(10,684)	(11,573)	527,042	(81,935)	7,272
29,403	42,766	93,473	921,095	-	19,384
-	-	-	-	8,389	-

The accompanying notes are an integral part of this statement.

119 Tokul Roundabout Impact Fee	120 Riverfront Property Acquisition	121 King Conservation District Grants	130 Development Services	141 1817 Home Elevation Project	142 FMA HOME ELEVATION PROJECT
28,391	1,058	10,649	576,479	454	314
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	809,980	-	-
-	-	6,519	12,841	1,076,823	179,714
11,345	-	-	1,321,200	-	-
-	-	-	-	-	-
33	(29)	14	4,768	157,065	24,989
11,378	(29)	6,533	2,148,789	1,233,888	204,703
-	-	-	-	5,428	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	10,540	1,995,292	1,267,982	199,631
-	-	-	-	-	-
-	-	53,233	-	-	-
-	-	63,773	1,995,292	1,273,410	199,631
11,378	(29)	(57,240)	153,497	(39,522)	5,072
-	-	-	240	-	-
-	-	-	-	-	-
-	35,000	53,645	145,000	39,500	-
-	35,000	53,645	145,240	39,500	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,000	-	-	-	-	-
39,000	-	-	-	-	-
(27,622)	34,971	(3,595)	298,737	(22)	5,072
768	36,030	7,053	875,217	431	5,384
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

143 SRL Home Elevation Project	202 Voted 2002 GO Bond Debt Service	211 2011 LTGO Bond Debt Service	303 Parks Capital Improvement	305 Flood Reduction & Improvement	309 Douglas & Parkway Intersection Const
237	8,049	160,768	549,417	89	146,106
-	-	-	-	-	-
-	-	-	-	-	-
-	270,342	-	-	-	-
-	-	-	-	-	-
8,986	-	-	10,000	18,372	649
-	-	-	-	-	-
-	-	-	-	-	-
1,095	283	671	24,816	(23)	95
<u>10,081</u>	<u>270,625</u>	<u>671</u>	<u>34,816</u>	<u>18,349</u>	<u>744</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,429	-	-	-	7,516	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,516</u>	<u>-</u>
(1,348)	270,625	671	34,816	10,833	744
-	-	-	-	-	-
-	-	-	-	-	-
1,500	-	349,950	300,000	-	-
<u>1,500</u>	<u>-</u>	<u>349,950</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	270,545	349,950	-	-	-
-	-	-	303,161	-	17,065
-	-	-	307,000	-	-
-	<u>270,545</u>	<u>349,950</u>	<u>610,161</u>	<u>-</u>	<u>17,065</u>
152	80	671	(275,345)	10,833	(16,321)
388	8,129	161,439	274,072	10,922	129,784
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

310 Transportation Capital Improvement	313 Pedestrian Bridge Construction	314 Community Center Construction	315 2011 LTGO Bond Construction	316 SR202 Corridor Phase 2 Construction	318 "HAWK" Pedestrian Signal Construction
242,355	118,780	2,703	861,231	186,076	129
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,231,602	-
-	-	-	-	381,529	-
-	-	-	-	-	-
79	44	4	787	1,046	-
79	44	4	787	1,614,177	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
34,200	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
34,200	-	-	-	-	-
(34,121)	44	4	787	1,614,177	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	18,400	-	616,664	-
-	-	18,400	-	616,664	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,738	456,232	2,231,900	-
660	-	-	380,000	10,000	-
660	-	2,738	836,232	2,241,900	-
(34,781)	44	15,666	(835,445)	(11,059)	-
207,574	118,824	18,370	25,786	175,018	129
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

319 Kimball Creek Box Culverts Construction	320 Tokul Roundabout Construction	321 Gateway Arch Construction	322 Jeanne Hansen Fields Construction	323 Tokul Public Parking Lot Construction	401 Combined Utilities
965	2,067,690	4,012	541,436	-	3,406,773
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	9,180
155,328	-	-	-	-	71,419
-	-	-	-	-	7,307,109
-	-	-	-	-	-
84	451	(416)	169,373	132	95,974
<u>155,412</u>	<u>451</u>	<u>(416)</u>	<u>169,373</u>	<u>132</u>	<u>7,483,682</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,575,035
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,575,035
<u>155,412</u>	<u>451</u>	<u>(416)</u>	<u>169,373</u>	<u>132</u>	<u>1,908,647</u>
-	-	-	534,000	-	129,952
-	-	-	-	-	-
-	39,000	-	307,000	-	-
-	<u>39,000</u>	-	<u>841,000</u>	-	<u>129,952</u>
-	-	-	-	-	3,863
-	-	-	-	-	671,860
130,417	6,497	-	1,485,415	-	198,780
13,809	-	-	5,000	-	455,950
<u>144,226</u>	<u>6,497</u>	-	<u>1,490,415</u>	-	<u>1,330,453</u>
11,186	32,954	(416)	(480,042)	132	708,146
12,151	2,100,644	3,596	61,394	132	4,114,919
-	-	-	-	-	-

The accompanying notes are an integral part of this statement.

501 Equipment Replacement & Repair	502 Information Technology	503 Risk Management	510 Facilities Maintenance	511 Shared Services
1,707,251	857,431	-	-	-
171,177	18,326	126,494	66,463	53,907
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,211,591	1,063,880	297,026	362,649	332,750
-	-	-	-	-
25,723	340	(222)	(361)	93
<u>1,237,314</u>	<u>1,064,220</u>	<u>296,804</u>	<u>362,288</u>	<u>332,843</u>
-	732,503	286,894	505,600	355,498
-	-	-	-	-
-	-	-	-	-
726,146	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>726,146</u>	<u>732,503</u>	<u>286,894</u>	<u>505,600</u>	<u>355,498</u>
511,168	331,717	9,910	(143,312)	(22,655)
12,878	1,409	1,241	-	-
-	-	-	-	-
-	-	-	216,496	-
<u>12,878</u>	<u>1,409</u>	<u>1,241</u>	<u>216,496</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
7,780	71,346	-	35,154	-
-	-	-	-	-
<u>7,780</u>	<u>71,346</u>	<u>-</u>	<u>35,154</u>	<u>-</u>
516,266	261,780	11,151	38,030	(22,655)
2,153,633	1,117,351	-	-	-
241,062	20,184	137,645	104,494	31,251

The accompanying notes are an integral part of this statement.

City of Snoqualmie
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

	Total for All Funds (Memo Only)	621 Korean Delegate Trust	631 Payroll Warrants Clearing	632 Claims Warrants Clearing	
308	Beginning Cash and Investments	1,796,079	7,777	17,530	975,939
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	162,204	-	-	-
380-390	Other Increases and Financing Sources	24,141,669	-	5,889,850	18,066,528
510-570	Expenditures	2,659	-	-	-
580-590	Other Decreases and Financing Uses	24,081,799	303	5,891,786	17,603,065
	Net Increase (Decrease) in Cash and Investments:	219,415	(303)	(1,936)	463,463
508	Ending Cash and Investments	2,015,493	7,474	15,593	1,439,402

	633 Treasurer's Deposits Control	634 Medical Flexible Spending Account	635 Snoqualmie TBD Trust	641 1817 Homeowner Deposits Trust	
308	Beginning Cash and Investments	370,534	2,338	358,126	53,482
388 & 588	Prior Period Adjustments, Net	-	-	-	-
310-360	Revenues	-	-	162,204	-
380-390	Other Increases and Financing Sources	18,390	6,041	-	125,187
510-570	Expenditures	-	-	2,659	-
580-590	Other Decreases and Financing Uses	4,014	4,225	381,529	157,086
	Net Increase (Decrease) in Cash and Investments:	14,376	1,816	(221,984)	(31,899)
508	Ending Cash and Investments	384,910	4,154	136,142	21,583

	642 FMA Homeowner Deposits Trust	643 SRL Homeowner Deposits Trust	
308	Beginning Cash and Investments	8,905	1,448
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	20,243	15,430
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	24,991	14,800
	Net Increase (Decrease) in Cash and Investments:	(4,748)	630
508	Ending Cash and Investments	4,156	2,079

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Snoqualmie was incorporated on May 18, 1903 and operates under the laws of the State of Washington applicable to a non-charter code city with a mayor/council form of government (RCW 35A). The City is a general purpose government and provides police, fire, parks, street improvement, water, wastewater, stormwater, planning, zoning, building inspection and general administrative services.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

A. Fund Accounting

Financial transactions of the City are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund - 001

This fund is the primary operating fund of the City. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds - Funds in the 100 series

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the City.

Debt Service Funds - Funds in the 200 series

These funds account for the financial resources that are restricted, committed or assigned to expenditures for principal, interest and related costs on certain general long-term debt.

Capital Projects Funds - Funds in the 300 series

These funds account for financial resources that are restricted, committed or assigned for the acquisition or construction of capital facilities or other capital assets.

PROPRIETARY FUND TYPES:

Enterprise Funds - Funds in the 400 series

These funds account for operations that provide goods or services to the general public and are supported primarily through user charges.

Internal Service Funds – Funds in the 500 series

These funds account for operations that provide goods or services to other departments or funds of the City on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Private-Purpose Trust Funds – Funds in the 620 series

These funds report all trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Agency Funds – Funds in the 630 & 640 series

These funds are used to account for assets that the City holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid. In accordance with state law the City also recognizes expenditures paid during the first twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

The City biennially adopts annual appropriated budgets for all governmental and proprietary funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for all funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriations and actual expenditures for the legally adopted budgets were as follows:

<u>Fund</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
GENERAL FUND 001	\$16,766,911	\$13,608,116	\$3,158,795
SPECIAL REVENUE FUNDS			
Street Maintenance Fund 101	1,102,360	831,853	270,507
Hotel/Motel Tax Fund 110	86,270	58,662	27,608
King County Trails Levy Fund 113	87,978	17,404	70,574
Snoqualmie Ridge Capital Mitigation 115	149,053	100,000	49,053
Real Estate Excise Tax Fund 116	935,559	592,777	342,782
Solid Waste/Recycling Fund 117	238,465	162,038	76,427
Drug Enforcement Fund 118	6,142	-	6,142
Tokul Roundabout Impact Fee Fund 119	41,041	39,000	2,041
Riverfront Land Acquisition Fund 120	35,000	-	35,000
King Conservation Dist Grants Fund 121	63,773	63,773	-

Development Services Fund 130	2,261,508	1,995,292	266,216
1817 Home Elevation Project Fund 141	1,495,414	1,273,410	222,004
FMA Home Elevation Project Fund 142	363,667	199,632	164,035
SRL Home Elevation Project Fund 143	515,542	11,429	504,113

DEBT SERVICE FUNDS

2002 UTGO Bond Debt Service Fund 202	282,507	270,545	11,962
2011 LTGO Bond Debt Service Fund 211	458,093	349,950	108,143

CAPITAL PROJECTS FUNDS

Parks Improvement Fund 303	750,110	610,162	139,948
Flood Reduction Fund 305	16,718	7,516	9,202
Parkway Intersections Const Fund 309	880,694	17,065	863,629
Transportation Improvement Fund 310	225,738	34,860	190,878
Pedestrian Bridge Construction Fund 313	117,200	-	117,200
Community Center Construction Fund 314	61,103	2,738	58,365
2011 GO Bond Construction Fund 315	861,231	836,231	25,000
SR 202 Corridor Phase 2A Construction 316	4,683,006	2,241,900	2,441,106
"HAWK" Traffic Signal Construction 318	404,595	-	404,595
Kimball Creek Box Culverts Const Fund 319	144,226	144,226	-
Tokol Roundabout Construction Fund 320	5,523,000	6,497	5,516,503
Gateway Arch Construction Fund 321	171,500	-	171,500
Jeanne Hansen Fields Const Fund 322	1,813,800	1,490,415	323,385
Tokol Parking Lot Construction Fund 323	432,655	-	432,655

ENTERPRISE FUNDS

Combined Utilities Fund 401	19,477,788	6,905,489	12,572,299
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<u>Fund</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
INTERNAL SERVICE FUNDS			
Equipment Replace & Repair Fund 501	2,811,134	733,925	2,077,209
Information Technology Fund 502	1,854,393	803,850	1,050,543
Risk Management Fund 503	324,140	286,895	37,245
Facilities Maintenance Fund 510	734,895	540,753	194,142
Shared Services Fund 511	<u>374,300</u>	<u>355,499</u>	<u>18,801</u>
TOTAL BUDGET	<u>\$66,551,509</u>	<u>\$34,591,902</u>	<u>\$31,959,607</u>

Budgeted amounts are authorized to be transferred between departments within any fund; however any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

Budget amendments during 2014 altered the total appropriations for a number of funds. The General Fund budget was increased by a total of \$248,247. The largest items responsible for this change were unanticipated increases in Police Department overtime, weapons and jail services totaling \$134,000. The Mayor elected to enroll in the Public Employees Retirement System, retroactive to the beginning of his first term in January 2006; the City's required pension contributions with interest were appropriated in the amount of \$23,405. \$20,000 was appropriated to fund an executive recruiting process for a Parks Director position. \$18,400 was transferred to the Community Center Construction Fund #314 to provide matching money for a private grant to fund design and installation of a solar panel array on the Community Center building. \$13,332 was appropriated to fund a portion of the cost of new Arc Server/GeoCortex GIS Mapping software. \$12,500 was appropriated to fund an unplanned

Management Intern position. \$10,000 was appropriated to fund increased salary and employee benefit costs for the Confidential Assistant to the City Attorney position. Another \$10,000, funded by a grant from the US Department of Agriculture, was appropriated to pay for a portion of the costs of developing a Strategic Forest Management Plan. The remaining \$6,610 was composed of several smaller unanticipated and larger-than-anticipated costs. The Street Maintenance fund budget was increased by a total of \$127,728. The largest portion of this increase was a transfer of \$47,000 to the SR 202 Corridor Phase 2A Construction Fund #316. An additional \$35,600 was appropriated for higher than anticipated street maintenance service costs. \$10,000 was appropriated for additional street maintenance supplies, and another \$10,000 was appropriated for additional snow and ice control supplies. \$3,133 was appropriated to fund a portion of the cost of new Arc Server/GeoCortex GIS Mapping software, and a \$21,995 increase in the amount of estimated ending fund balance was recognized. These increased costs were supported by higher than anticipated amounts of administration fee revenue on a solid waste provider's contract and beginning fund balance. The Hotel/Motel Tax Fund budget was increased by a total of \$20,000. \$12,000 was appropriated to partially sponsor a temporary holiday season ice skating rink, and \$8,000 was appropriated toward the City's annual service contract with the Northwest Railroad Museum. These costs were funded by higher than anticipated amounts of hotel/motel tax revenue and beginning fund balance. The Solid Waste/Recycling Fund budget was increased by a total of \$50,000 to provide a transfer to the SR Corridor Phase 2A Construction Fund #316. This cost was funded by higher than estimated beginning fund balance. The Tokul Roundabout Impact Fee Fund budget was increased by \$3,941 to provide a transfer to the Tokul Roundabout Construction Fund #320. This increase was supported by higher than anticipated impact fee revenue, interest earnings and beginning fund balance. The King Conservation District Grants Fund budget was increased by a total of \$1,481. Final expenditures for a Kimball Creek Mitigation/Restoration project were supported by adjustments to beginning and ending fund balance. The Development Services Fund budget was increased by a total of \$102,000. The largest item was an appropriation of \$90,000 for additional contracted engineering services, supported by larger than anticipated revenues from building permit fees, engineering services charges and plan review fees. \$12,000 was appropriated for Phase IV of the ongoing Meadowbrook Slough mitigation/restoration project, funded by a grant from King Conservation District. \$6,666 was appropriated to fund a portion of the cost of new Arc Server/GeoCortex GIS Mapping software. This was more than offset by a reduction of \$19,600 for unemployment insurance for the Building Department, the result of correcting a typographical error in the original budget. These changes resulted in an increase of the estimate for ending fund balance by \$12,934. The City uses three funds that account for three federal FEMA grants used to elevate the ground floor of private residences to above the 100-year flood level; additional funding is provided by Washington State Military Department, King County Flood Control Zone District and by the homeowners themselves. Budgets appropriated for these purposes were changed by: a \$1,010,643 increase for the 1817 Home Elevation Project Fund, a \$168,286 increase for the FMA Home Elevation Project Fund, and a \$386,163 increase for the SRL Home Elevation Project Fund. These projects, all begun in 2012, made less progress than expected during 2013, and then experienced considerably more overall activity in 2014 than the budget originally anticipated. All three will be completed in 2015. The budget for the Parks Improvement Fund was increased by a total of \$135,000. \$85,000 was appropriated for the Eagle Lake Drive Tree Replacement project, partially funded by a grant from the US Department of Agriculture and a donation from a homeowners association, and \$50,000 was appropriated for larger than anticipated costs on various parks projects. The balance was funded by higher than estimated beginning fund balance. The budget for the Flood Reduction & Improvement Fund was increased by \$10,000 for a riverbank erosion control feasibility study funded by a grant from King County Flood Control Zone District. The previously unbudgeted Community Center Construction Fund was appropriated for \$61,103 to provide for the design and installation of a solar panel array, using a \$40,000 grant from a private electric utility company, an \$18,400 transfer from the General Fund and a beginning fund balance that was larger than anticipated. The budget for the 2011 LTGO Bond Construction Fund was increased by a total of \$411,231, due to slower than planned progress

on this major project, which began construction in 2013. Construction costs of \$314,000 combined with an \$80,000 transfer to the SR 202 Corridor Phase 2A Construction Fund #316 and a \$17,231 increase in estimated ending fund balance were all covered by a larger than estimated beginning fund balance. The budget for the SR 202 Corridor Phase 2A Construction Fund was increased by a total of \$524,000 due to higher than anticipated costs of various aspects of street and utility construction. These higher costs were funded by \$98,000 of late-arriving revenue from a US Department of Transportation FHWA grant and \$426,000 in transfers from various City funds (\$80,000 from the 2011 LTGO Bond Construction Fund #315, \$21,000 from the Kimball Creek Box Culverts Construction Fund #319, and \$325,000 from the Combined Utilities Fund #401.) The Kimball Creek Box Culverts Construction Fund budget was increased by \$25,000 to provide a transfer to the SR 202 Corridor Phase 2A Construction Fund, funded by estimated ending fund balance. However, only \$13,800 was actually transferred, due to budgetary constraints. The budget for the Jeanne Hansen Fields Construction Fund was increased by a total of \$60,000, due to the need to hire a consultant to oversee final phases of artificial turf fields construction, following the unexpected departure of the staff member who had been managing this project. The Combined Utilities Fund budget was increased by a total of \$350,000. The largest item was the larger than planned \$160,000 cost of various water maintenance supplies and services, followed by \$100,000 in new water meters installed over and above the planned quantity. Due to a change in utility rates and rate structures, the previous capital surcharges were eliminated, so \$65,000 was appropriated for transfer to the 2011 LTGO Bond Debt Service Fund #211 to cover a portion of the required annual debt service payments. The same rate re-structuring required an additional \$45,000 to be appropriated for payment of Washington State excise taxes on utility revenues. \$30,000 was appropriated for greater than planned costs of professional services. \$20,000 was appropriated to cover larger than anticipated costs of electricity and maintenance supplies for the irrigation system, and \$15,000 to cover the cost of a utility rate study. Finally, \$9,399 was appropriated to fund a portion of the cost of new Arc Server/GeoCortex GIS Mapping software. These costs were funded by \$350,000 in greater than anticipated utility service revenues and a reduction to estimated ending fund balance. The Risk Management Fund budget was increased by a total of \$5,500, to appropriate for \$4,000 in larger than estimated insurance premium costs and \$1,500 in greater than anticipated employee wages and benefits. These increased costs were funded by a larger than estimated beginning fund balance. The Facilities Management Fund budget was increased by a \$20,300 appropriation to purchase office furniture and work stations for added staff at the Police Department, a \$20,000 appropriation for landscaping services and a \$3,133 appropriation to fund a portion of the cost of new Arc Server/GeoCortex GIS Mapping software. These costs were offset by a reduction in the estimated ending fund balance, resulting in no change to the fund's total budget.

D. Cash and Investments

See Note #2, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets of the City are recorded as expenditures when purchased.

F. Compensated Absences

Management employees may accumulate and carry over up to two times their annual vacation leave. Public Works, Clerical and Firefighter employees may accumulate and carry over up to 240 hours of vacation leave. Police officers may accumulate and carry over up to 320 hours of vacation leave. Accumulated vacation is payable upon separation or retirement. Carryover dates are based on employee anniversary dates.

Sick leave may accumulate, and employees may carry up to 720 hours over into the following year. By December of each year, employees may elect to receive a percentage of their

accumulated sick leave over and above the 720 hour limit at year-end. Firefighters can receive a 33% payment depending on their 8- or 9-day cycle. Public Works and Clerical employees can receive a 25% payment. Employees do not receive payment for unused sick leave upon separation or retirement.

Management, Public Works, Clerical and Police employees may accumulate compensatory time, and employees may carry up to 24 hours over into the following year. Public Works, Clerical and Police employees receive payment for all unused compensatory time upon separation or retirement.

G. Long-Term Debt

See Note #5, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The City's *Other Financing Sources or Uses* consist of interfund transfers in and out, long-term debt proceeds, proceeds from dispositions of capital assets and insurance proceeds.

I. Risk Management

The City of Snoqualmie 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 175 Members.

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

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

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

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

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

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

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general

policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance. When expenditures that meet these restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of:

General Fund 001	Various Reserves established by City Council
Hotel/Motel Tax 110	Legislative Restriction - Tax
King County Trails Levy 113	Legislative Restriction - Tax
SR Capital Mitigation 115	Developer Agreements
Real Estate Excise Tax 116	Legislative Restriction - Tax
Drug Enforcement Fund 118	Legislative Restriction – Confiscated Property
Tokul Roundabout Impact Fee 119	Developer Agreements
Riverfront Property Acquisition 120	Grantor Restrictions
King Conservation Dist Grants 121	Grantor Restrictions
Development Services 130	Legislative Restrictions – Building Permit Fees
1817 Home Elevations Project 141	Grantor Restrictions
FMA Home Elevations Project 142	Grantor Restrictions
SRL Home Elevations Project 143	Grantor Restrictions
Voted 2002 GO Bond Debt Service 202	Voter Restriction – Tax
2011 LTGO Bond Debt Service 211	Bond Covenant Restrictions
Capital Improvement Funds 300s	Developer Agreements, Grantor Restrictions
Combined Utilities Fund 401	Legislative Restriction – Utilities
Equipment Replacement & Repair 501	Equipment Reserve by City Council
Information Technology Fund 502	Equipment Reserve by City Council
Korean Delegate Trust 621	Trust Restriction
Treasurer’s Deposits Control 633	Trust/Agency Restriction
Medical Flexible Spending Account 634	Trust/Agency Restriction
Snoqualmie Trans Benefit Dist Agency 635	Trust/Agency Restriction
1817 Homeowner Deposits Trust 641	Trust/Agency Restriction
FMA Homeowner Deposits Trust 642	Trust/Agency Restriction
SRL Homeowner Deposits Trust 643	Trust/Agency Restriction

NOTE 2 – DEPOSITS AND INVESTMENTS

It is the City's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds, according to the City's Investment Policy.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the City or its agent in the City's name.

Investments are presented at original cost. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
Local Government Investment Pool (LGIP)	\$ 4,682,651
US Government Agency Bonds	12,709,457
Certificates of Deposit	<u>1,000,000</u>
Total	<u>\$ 18,392,108</u>

NOTE 3 - 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 within two days of receipt by the County.

Property tax revenues are recognized when cash is received by the City. Delinquent taxes are considered fully collectible because a lien affixes to the property after taxes are levied.

The City's regular levy for the year 2014 was \$2.97786 per \$1,000 on an assessed valuation of \$1,919,514,464 for a total regular levy of \$5,724,934. In 2014 the City also levied \$0.14094 per \$1,000 for a total additional levy of \$270,545 for the purpose of paying principal and interest on the City's voter-approved 2002 General Obligation Bonds.

NOTE 4 - INTERFUND LOANS AND ADVANCES

The following table displays interfund loan activity during 2014:

<u>Borrowing Fund</u>	<u>Lending Fund</u>	<u>Balance 1/1/2014</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance 12/31/2014</u>
101	501	\$22,879.40	\$ -0-	\$ 9,015.00	\$ 13,864.40
403	501	9,805.66	-0-	3,863.47	5,942.19
322	001	-0-	534,000.00	62,987.12	\$471,012.88
TOTALS		<u>\$32,685.06</u>	<u>\$534,000.00</u>	<u>\$75,865.59</u>	<u>\$490,819.47</u>

NOTE 5 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (Schedule 09) provides more details about the outstanding debt of the City and summarizes the City's debt transactions for the year ended December 31, 2014. Debt service requirements, including both principal and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2015	897,270	511,288	142,852	1,551,410
2016	904,900	510,613	141,792	1,557,304
2017	896,900	514,588	140,454	1,551,941
2018	902,275	513,038	139,101	1,554,413
2019	858,610	514,438	95,611	1,468,659
2020-2024	2,923,820	2,564,750	273,438	5,762,008
2025-2029	1,760,875	1,537,575	70,407	3,368,857
2030-2031	<u>349,656</u>	<u>-0-</u>	<u>27,682</u>	<u>377,338</u>
Totals	<u>\$9,494,305</u>	<u>\$6,666,288</u>	<u>\$1,031,338</u>	<u>\$17,191,930</u>

NOTE 6 - P

Substantially all City full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS), Public Safety Employees Retirement System (PSERS) or the Law Enforcement Officers and Fire Fighters Retirement System (LEOFF), administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee

defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

NOTE 7 - DEFERRED COMPENSATION PLANS

The City of Snoqualmie offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Plans are available with ICMA Retirement Systems, the Washington State Department of Retirement Systems Deferred Compensation Plan, and the ING Deferred Compensation Plan. The plans are available to all employees, and permit them to defer a portion of their salary until future years. Compensation deferred is not available to employees until termination, retirement, death, or unforeseeable emergency. The City matches employee contributions to these plans up to certain monthly limits. Total City contributions to all three deferred compensation plans in 2014 were \$161,536.

NOTE 8 - CONTINGENCIES AND LITIGATION

The City has an active construction project under way, the SR 202 Corridor Phase 2A project, which is described under "Construction Commitments" in Note 9. Project construction administration has resulted in issuance of 41 Field Work Directives and 10 Change Order Proposals (COPs). The contractor has exceeded the initial contract completion date of March 10, 2015. The contractor has also protested certain COPs, and has given notice of its intention to seek additional contract compensation adjustments. Contract working days are nearly expired, at which point liquidated damages will accrue. Either arbitration, as provided in the Washington Department of Transportation Standard Specifications for Road and Bridge Construction, or litigation if claims are in excess of \$250,000, is anticipated. While the City believes that contractor claims for delay damages lack merit, neither an evaluation of the likelihood of a particular outcome nor an estimate of the amount of probable City liability for additional work and/or delay is practical at this time. Accordingly, such evaluation and estimate will not be provided at this time concerning these contingent liabilities.

The City participates in a number of federal and state financial assistance programs. These grants are subject to audit by the grantor agencies or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

NOTE 9 - OTHER DISCLOSURES

NEW DEBT ISSUED

On October 11, 2013 the City borrowed \$174,398 from the Washington State Treasurer's Local Option Capital Asset Lending (LOCAL) Program (Certificates of Participation in an Agency Financing Contract) to finance the purchase and equipping of three new police patrol vehicles. The City borrowed the remaining \$30,602 authorized during 2014, for a total borrowing of \$205,000. The debt bears an interest rate of 1.3685% and will be redeemed over a period of five years, using service fee revenues from a contract to provide police services for the City of North Bend.

During 2013 the City borrowed \$258,724 from a Public Works Trust Fund loan. Even though the loan is authorized for up to a maximum of \$679,000, the City does not expect to borrow more than

\$306,000 in total. The proceeds of the loan, together with \$181,000 from private developer mitigation fees and \$36,531 in other Sewer Utility moneys, are being used to purchase and install a 3,475 gpm pump and related air-vac improvements at Kimball Creek Sewer Lift Station. This project will be completed during 2015 and the final loan proceeds drawn. The loan bears an interest rate of 0.50% and will be redeemed over a period of twenty years, using Sewer Utility rate revenues. See note on Construction Commitments, immediately below.

SUBSEQUENT EVENTS

On July 27, 2015 the City Council approved Ordinance No. 1157 authorizing issuance of revenue bond anticipation notes in the respective amounts of \$8,000,000 (2015) and \$7,500,000 (2016). These notes will provide interim financing for the City's Utility Capital Improvement Plan in those two years. The Notes are secured by utility rate revenue and mature December 1, 2017. The Notes will be redeemed with the proceeds from revenue bonds issued in late 2017.

CONSTRUCTION COMMITMENTS

The City has three active construction projects as of December 31, 2014. The first project is the purchase and installation of a 3,475 gpm pump and related air-vac improvements at Kimball Creek Sewer Lift Station. At year-end, the City has spent a total of \$522,607 on this project, leaving a remaining commitment of \$2,134, which will be provided by a Public Works Trust Fund loan. (See note on New Debt Issued, immediately above.) The second project is the reconstruction of streets and related water, sewer and stormwater utilities infrastructure in the Falls Avenue and Cedar Street areas. This project is funded by proceeds of a 2011 LTGO bond issue. Expenditures to date total \$4,650,960, with a commitment of \$25,786 remaining. The third project is the reconstruction of street and related water, sewer and stormwater utilities infrastructure in the historic downtown SR 202 Corridor area (Phase 2A). This project is funded with a combination of federal and state grants, Snoqualmie Transportation Benefit District (TBD) monies and City funds. Grants awarded include USDOT/FHWA \$500,000, USDOT/FHWA \$1,100,000, USDOT/FHWA \$117,000, WSDOT Pedestrian/Bicycle Improvements \$1,885,000, USDHUD/EDI-SP \$250,000, WSTIB \$200,000. TBD monies to date total \$381,529. City funds from various sources total \$983,985 to date. Expenditures to date total \$3,086,845, with a commitment of \$2,293,476 remaining. All three projects are expected to be completed during 2015.

RELATED PARTY TRANSACTIONS

On June 24, 2010, the City passed Ordinance No. 1061 which established the Snoqualmie Transportation Benefit District (TBD) for the purpose of collecting funds for street and roadway maintenance. The TBD Board of Directors established a \$20 vehicle license fee for these purposes. The fee became effective in March 2011. On September 13, 2010, the City Council approved Resolution No. 974, an interlocal agreement between the City and the TBD providing administrative procedures and disposition of funding. During 2014 the TBD paid \$381,529 to the City to finance a portion of the costs of the SR 202 Corridor Phase 2A Renovation Project referenced above.

SIGNIFICANT DEVELOPMENT AGREEMENTS

On September 24, 1990, the City of Snoqualmie adopted Ordinance No. 648, annexing 1,340 acres owned by Weyerhaeuser Real Estate Company (WRECO), and entered into a Pre-Annexation Agreement with Snoqualmie Ridge Associates (SRA), whose general partner was WRECO. (The SRA partnership was subsequently dissolved). WRECO sought and received approval on September 15, 1995 for a Mixed Use Final Plan for the Snoqualmie Ridge I Development. RCW 36.70B.170 – 210 authorizes local governments to enter into Development Agreements with the owners of real property outside their boundaries as part of a proposed annexation. Quadrant Corporation petitioned for annexation of certain real property commonly known as Snoqualmie Ridge II, and the City and Quadrant negotiated a Development Agreement, including development standards and mitigations to apply to the development of Snoqualmie Ridge II upon its annexation. The mixed use final plan includes a maximum of 2,000 dwelling units, retail, parks, trails and open space. The City Council approved a Development Agreement with Quadrant on March 31, 2004, and annexed the Snoqualmie Ridge II Property by Ordinance 958, effective August 3, 2004. Development processing costs for

Snoqualmie Ridge I and Snoqualmie Ridge II are collected and accounted for in Fund No. 130, the Development Services Fund.

OTHER POST-EMPLOYMENT BENEFITS

The City has a commitment to pay for post-employment benefits for employees that belong to the LEOFF 1 retirement system. These benefits include medical, vision, nursing care, etc. Two retirees received benefits during 2014, and \$42,127 was paid out for those benefits during the year.

City of Snoqualmie
Schedule of Liabilities
For the Year Ended December 31, 2014

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligations						
251.14	2002 G.O. Bond	12/2/2022	1,960,000	-	180,000	1,780,000
251.11	2011 G.O. Bond - City Hall Portion	12/1/2030	1,490,000	-	175,000	1,315,000
251.11	2011 G.O. Bond - Infrastructure Portion	12/1/2030	2,907,450	-	120,700	2,786,750
251.19	2011 G.O. Bond - Utilities Infrastructure Portion	12/1/2030	1,187,550	-	49,300	1,138,250
263.96	LOCAL Program - Police Vehicles & Equipment	6/1/2018	174,398	30,602	35,914	169,086
259.11	Compensated Absences - Governmental		472,595	527,897	458,529	541,963
	Total General Obligations:		8,191,993	558,499	1,019,443	7,731,049
Revenue Obligations						
252.11	1998 Revenue Bonds - Sewer Portion	12/1/2014	7,150	-	7,150	-
252.11	1998 Revenue Bonds - Water Portion	12/1/2014	47,850	-	47,850	-
263.82	PWTF Loan #PW-02-691-050	4/1/2022	384,801	-	42,756	342,045
263.82	PWB/DWSRF Loan #00-65120-029	10/1/2021	271,734	-	33,967	237,767
252.11	2008 Revenue Bonds - Water Portion	12/1/2027	2,138,000	-	118,000	2,020,000
252.11	2008 Revenue Bonds - Sewer Portion	12/1/2027	2,138,000	-	118,000	2,020,000
252.11	2008 Revenue Bonds - Stormwater Portion	12/1/2027	1,069,000	-	59,000	1,010,000
263.82	PWTF Loan #PW-12-951-083	6/1/1931	247,283	-	13,738	233,545
259.12	Compensated Absences - Enterprise		73,591	96,090	79,414	90,267
	Total Revenue Obligations:		6,377,409	96,090	519,875	5,953,624
	Total Liabilities:		14,569,402	654,589	1,539,318	13,684,673

City of Snoqualmie
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	LA-8149 Snoqualmie Parkway Intersection Improvements	649	-	649	1,2
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	LA-7981 Kimball Creek Box Culverts Design	112,811	-	112,811	1,2
Total Highway Planning and Construction Cluster:				113,460	-	113,460	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	State and Community Highway Safety	20.600	NA - Distracted Driving Emphasis	2,873	-	2,873	1,2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Assn of Sheriffs & Police Chiefs)	State and Community Highway Safety	20.600	NA - Radar Trailer & Intoximeters	6,972	-	6,972	1,2
Total Highway Safety Cluster:				9,845	-	9,845	
Other Programs							
Forest Service, Department Of Agriculture (via WA Department of Natural Resources)	Cooperative Forestry Assistance	10.664	IAA-13- 248/K244-11- DG-015	10,000	-	10,000	1,2

The accompanying notes are an integral part of this statement.

National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WA Traffic Safety Commission)	National Priority Safety Programs	20.616	NA - Target Zero DUI Emphasis	5,431	-	5,431	1,2
Department Of Homeland Security (via WA Military Department)	Flood Mitigation Assistance	97.029	EMS-2011-FM-E003	149,724	-	149,724	1,2
Department Of Homeland Security (via WA Military Department)	Hazard Mitigation Grant	97.039	FEMA-1817-DR-WA-28-R	955,057	-	955,057	1,2
Department Of Homeland Security (via WA Military Department)	Emergency Management Performance Grants	97.042	EMW-2013-EP-00050-S01	26,637	-	26,637	1,2
Department Of Homeland Security (via WA Military Department)	Severe Repetitive Loss Program	97.110	EMS-2011-SR-0002	9,656	-	9,656	1,2
Total Federal Awards Expended:				1,279,810	-	1,279,810	

The accompanying notes are an integral part of this statement.

CITY OF SNOQUALMIE, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the single-entry cash basis of accounting, which is a departure from generally accepted accounting principles (GAAP).

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
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