



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements Audit Report**

**City of Woodinville**

**King County**

**For the period January 1, 2016 through December 31, 2016**

**Published October 9, 2017**

**Report No. 1020022**





**Office of the Washington State Auditor**  
**Pat McCarthy**

October 9, 2017

Council  
City of Woodinville  
Woodinville, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

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 .....	4
Independent Auditor's Report On Financial Statements .....	7
Financial Section.....	10
About The State Auditor's Office.....	34

**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 Woodinville  
King County  
January 1, 2016 through December 31, 2016**

Council  
City of Woodinville  
Woodinville, 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 Woodinville, King County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated October 3, 2017.

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 black ink that reads "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly legible.

Pat McCarthy

State Auditor

Olympia, WA

October 3, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Woodinville King County January 1, 2016 through December 31, 2016

Council  
City of Woodinville  
Woodinville, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Woodinville, King County, Washington, for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 10.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Woodinville 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 Woodinville, for the year ended December 31, 2016, 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 Woodinville, as of December 31, 2016, 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 Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 October 3, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

October 3, 2017

## **FINANCIAL SECTION**

**City of Woodinville  
King County  
January 1, 2016 through December 31, 2016**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2016  
Notes to the Financial Statements – 2016

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2016

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>101 Street</b>	<b>104 Development Services</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	6,681,329	523,564	-	106,222
30880	Unreserved	26,109,079	22,280,410	1,320	43,001
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	12,055,534	9,340,438	-	-
320	Licenses and Permits	844,863	315,991	-	528,872
330	Intergovernmental Revenues	1,430,222	713,320	254,137	1,166
340	Charges for Goods and Services	2,655,102	111,291	-	975,765
350	Fines and Penalties	71,067	71,067	-	-
360	Miscellaneous Revenues	382,533	281,189	400	-
Total Revenues:		17,439,322	10,833,297	254,537	1,505,803
<b>Expenditures</b>					
510	General Government	2,251,786	2,231,024	-	-
520	Public Safety	3,393,493	3,393,493	-	-
530	Utilities	825,616	-	-	-
540	Transportation	1,512,628	595,342	853,548	-
550	Natural and Economic Environment	1,511,343	149,707	-	1,298,975
560	Social Services	-	-	-	-
570	Culture and Recreation	457,769	-	-	-
Total Expenditures:		9,952,636	6,369,566	853,548	1,298,975
Excess (Deficiency) Revenues over Expenditures:		7,486,687	4,463,730	(599,011)	206,828
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	4,722,928	683,816	623,000	10,000
385	Special or Extraordinary Items	21,705	21,705	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	55,915	5,909	2,008	-
Total Other Increases in Fund Resources:		4,800,549	711,430	625,008	10,000
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	4,163,693	993,659	1,263	-
591-593, 599	Debt Service	521,402	-	-	-
597	Transfers-Out	4,722,928	1,531,427	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		9,408,023	2,525,086	1,263	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>2,879,212</b>	<b>2,650,074</b>	<b>24,734</b>	<b>216,828</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	6,404,226	534,862	-	112,250
5088000	Unreserved	29,265,394	24,919,188	26,054	253,801
<b>Total Ending Cash and Investments</b>		<b>35,669,620</b>	<b>25,454,050</b>	<b>26,054</b>	<b>366,051</b>

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>110 Admission Tax</b>	<b>111 Park &amp; Rec Special Revenue</b>	<b>114 Park Impact</b>	<b>115 Hotel/Motel Tax</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	567,452	-	39,596	49,244
30880	Unreserved	-	17,091	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	185,529	-	-	73,163
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	224,576	25,400	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	2,760	50	233	319
Total Revenues:		188,289	224,626	25,633	73,483
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	62,662
560	Social Services	-	-	-	-
570	Culture and Recreation	-	457,769	-	-
Total Expenditures:		-	457,769	-	62,662
Excess (Deficiency) Revenues over Expenditures:		188,289	(233,143)	25,633	10,820
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	239,343	-	3,451
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	47,998	-	-
Total Other Increases in Fund Resources:		-	287,341	-	3,451
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	51,318	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	120,915	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		120,915	51,318	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>67,374</b>	<b>2,880</b>	<b>25,633</b>	<b>14,271</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	634,825	-	65,229	63,516
5088000	Unreserved	-	19,970	-	-
<b>Total Ending Cash and Investments</b>		<b>634,825</b>	<b>19,970</b>	<b>65,229</b>	<b>63,516</b>

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>116 Traffic Impact</b>	<b>118 Utility Tax</b>	<b>201 Debt Service</b>	<b>301 Capital Improvement</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	211,471	451,896	-	2,099,164
30880	Unreserved	-	1,382,514	1,654	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	911,755	-	755,355
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	42,338	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	767	8,063	-	8,880
Total Revenues:		43,106	919,818	-	764,235
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		43,105	919,818	-	764,235
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	520,601	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	520,601	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	521,402	-
597	Transfers-Out	165,000	1,122,516	-	800,050
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		165,000	1,122,516	521,402	800,050
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(121,895)</b>	<b>(202,698)</b>	<b>(801)</b>	<b>(35,815)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	89,577	249,193	-	2,063,349
5088000	Unreserved	-	1,382,517	853	-
<b>Total Ending Cash and Investments</b>		<b>89,577</b>	<b>1,631,711</b>	<b>853</b>	<b>2,063,349</b>

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>302 Special Capital Improvement</b>	<b>303 Capital Street Reserve</b>	<b>354 Parks &amp; Recreation Capital Projects</b>	<b>358 Facilities Capital Project</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	2,294,156	168,683	169,882	-
30880	Unreserved	-	27,458	20,774	156
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	755,444	-	33,850	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	436,348	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	9,659	57,619	892	34
Total Revenues:		765,103	493,967	34,742	34
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	-	-	-
Excess (Deficiency) Revenues over Expenditures:		765,103	493,967	34,742	34
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,945,280	30,165	106,772
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	1,945,280	30,165	106,772
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	2,192,766	30,219	106,827
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	840,250	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		840,250	2,192,766	30,219	106,827
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(75,147)</b>	<b>246,481</b>	<b>34,688</b>	<b>(21)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	2,219,009	168,683	203,732	-
5088000	Unreserved	-	273,939	21,612	135
<b>Total Ending Cash and Investments</b>		<b>2,219,009</b>	<b>442,622</b>	<b>225,344</b>	<b>135</b>

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>361 Sammamish Bridge</b>	<b>410 Surface Water Management</b>	<b>501 Equipment Rental</b>	<b>505 Unemployment Comp Reserve</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	15,468	1,333,993	960,079	25,161
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	251	25,000	-	-
340	Charges for Goods and Services	-	1,179,807	87,295	8,630
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	110	7,307	4,193	58
Total Revenues:		361	1,212,114	91,488	8,688
<b>Expenditures</b>					
510	General Government	-	-	-	20,763
520	Public Safety	-	-	-	-
530	Utilities	-	825,616	-	-
540	Transportation	-	-	63,738	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	825,616	63,738	20,763
Excess (Deficiency) Revenues over Expenditures:		361	386,498	27,750	(12,075)
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	560,500	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		560,500	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	560,744	218,815	8,083	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	142,770	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		560,744	361,585	8,083	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>117</b>	<b>24,913</b>	<b>19,667</b>	<b>(12,075)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	15,585	1,358,906	979,746	13,086
<b>Total Ending Cash and Investments</b>		<b>15,585</b>	<b>1,358,906</b>	<b>979,746</b>	<b>13,086</b>

**City of Woodinville**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>631 Deposit</b>
308	Beginning Cash and Investments	507,995	507,995
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	40,110	40,110
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	17,465	17,465
	Net Increase (Decrease) in Cash and Investments:	22,645	22,645
508	Ending Cash and Investments	530,640	530,640

*The accompanying notes are an integral part of this statement.*



# CITY OF WOODINVILLE, WASHINGTON

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2016

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Woodinville was incorporated on March 31, 1993 and operates under the laws of the state of Washington applicable to a non-charter code city with a Council-Manager form of government. The City provides general government services which include; public safety, parks, planning and zoning, permits and inspection, general administrative, street improvement, and surface water 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 must 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 required.
- 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:

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#### GOVERNMENTAL FUND TYPES

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##### GENERAL FUND

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

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##### SPECIAL REVENUE FUNDS

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

---

##### DEBT SERVICE FUNDS

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

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## CAPITAL PROJECTS FUNDS

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

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## PROPRIETARY FUND TYPES:

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### ENTERPRISE FUNDS

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

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### INTERNAL SERVICE FUNDS

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

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### FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government as an agent on behalf of others.

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### AGENCY FUNDS

These funds are used to account for assets that the government holds in trust for others in a custodial capacity.

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## **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 twenty days after the close of the fiscal year for claims incurred during the previous period.

## **C. BUDGETS**

The City adopts biennial appropriated budgets for the following funds:

- |  |  |
|--|--|
| • 001 General                            | • 301 Capital Project                          |
| • 101 Street                             | • 302 Special Capital Project                  |
| • 104 Development Services               | • 303 Capital Street Reserve                   |
| • 110 Admissions Tax                     | • 351 SR 522/195 <sup>th</sup> Capital Project |
| • 111 Parks & Recreation Special Revenue | • 354 Parks and Recreation Capital Projects    |
| • 112 System Replacement                 | • 358 Facilities Capital Project               |
| • 113 Strategic Budget Reserve           | • 361 Sammamish Bridge Replacement             |
| • 114 Park Impact Fee                    | • 410 Surface Water Management                 |
| • 115 Hotel/Motel Tax                    | • 412 Surface Water Capital Projects           |
| • 116 Traffic Impact Fees                | • 501 Equipment Rental                         |
| • 118 Utility Tax                        | • 503 Equipment Replacement                    |
| • 201 Debt Service                       | • 505 Unemployment Reserve                     |

These budgets are appropriated at fund level. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the end of the biennium.

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. However, for financial reporting purposes, funds 112 System Replacement, 113 Strategic Budget Reserve, and 503 Equipment Replacement are rolled into the 001 General Fund, and fund 412 Surface Water Capital Projects is rolled into the 410 Surface Water Management Fund.

The appropriated and actual expenditures for the 2015-2016 legally adopted biennial budget were as follows:

2015 - 2016 Biennium Final Appropriated Budget vs. Actual

Fund	Final Appropriation	Actual Expenditures 2015	Actual Expenditures 2016	Total Biennial Expenditures	Variance Budget to Actual
001 General Fund	\$20,079,159	\$8,474,214	\$8,832,506	\$17,306,720	\$2,772,439
101 Street Fund	\$1,727,877	\$812,680	854,811	\$1,667,491	\$60,386
104 Development Services	\$2,945,725	\$1,303,829	1,298,975	\$2,602,804	\$342,921
110 Admission Tax	\$240,000	\$100,000	120,915	\$220,915	\$19,085
111 Parks & Recreation Special Revenue	\$1,096,889	\$439,445	509,088	\$948,533	\$148,356
112 System Replacement	\$0	\$0	\$0	\$0	\$0
113 Strategic Budget Reserve	\$0	\$0	\$0	\$0	\$0
114 Park Impact Fee	\$350,000	\$350,000	\$0	\$350,000	\$0
115 Hotel/Motel Tax	\$250,010	\$166,381	62,662	\$229,043	\$20,967
116 Traffic Impact Fees	\$440,000	\$239,500	165,000	\$404,500	\$35,500
118 Utility Tax	\$2,635,150	\$1,377,983	1,122,516	\$2,500,500	\$134,650
201 Debt Service	\$1,056,584	\$535,182	521,402	\$1,056,583	\$1
301 Capital Project	\$1,221,000	\$353,707	800,050	\$1,153,757	\$67,243
302 Special Capital Project	\$1,351,000	\$344,000	840,250	\$1,184,250	\$166,750
303 Capital Street Reserve	\$6,504,000	\$3,483,021	2,192,766	\$5,675,787	\$828,213
354 Parks and Recreation Capital Project	\$67,000	\$6,752	30,219	\$36,971	\$30,029
358 Facilities Capital Project	\$162,000	\$49,586	\$106,827	\$156,412	\$5,588
361 Sammamish Bridge Replacement	\$697,000	\$59,950	\$560,744	\$620,695	\$76,305
410 Surface Water Management	\$2,903,841	\$790,860	\$836,452	\$1,627,313	\$1,276,528
412 Surface Water Capital Projects	\$1,056,470	\$570,243	\$350,748	\$920,991	\$135,479
501 Equipment Rental	\$197,000	\$103,453	\$71,821	\$175,274	\$21,726
503 Equipment Replacement	\$199,650	\$33,088	\$62,146	\$95,234	\$104,416
505 Unemployment Reserve	\$38,000	\$16,293	\$20,763	\$37,056	\$944
<b>Total all funds</b>	<b>\$45,218,355</b>	<b>\$19,610,167</b>	<b>\$19,360,659</b>	<b>\$38,970,826</b>	<b>\$6,247,529</b>

Department directors are authorized to transfer amounts between budgeted line items within their departments; 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.

A summary of the changes to the 2015/2016 budget (Ordinance No. 609 in 2015 and Ordinance 637 in 2016) can be found on the next page.

## Summary of 2015-2016 Biennial Budget Amendments

<b>Fund</b>	<b>Original 2015 -2016 Budget</b>	<b>Ord. 609 Amended Budget</b>	<b>Ord. 637 Amended Budget</b>	<b>\$ Change from Original</b>	<b>% Change</b>
001 General Fund	\$23,314,809	\$24,020,209	\$20,079,159	(\$3,235,650)	-14%
101 Street Fund	\$1,365,727	\$1,801,877	\$1,727,877	\$362,150	27%
104 Development Services	\$3,530,025	\$3,263,725	\$2,945,725	(\$584,300)	-17%
110 Admission Tax	\$260,000	\$260,000	\$240,000	(\$20,000)	-8%
111 Parks & Recreation Special Revenue	\$766,510	\$899,744	\$1,096,889	\$330,379	43%
112 System Replacement	\$100,000	\$100,000	\$0	(\$100,000)	-100%
113 Strategic Budget Reserve	\$0	\$0	\$0	\$0	0%
114 Park Impact Fee	\$1,389,000	\$454,000	\$350,000	(\$1,039,000)	-75%
115 Hotel/Motel Tax	\$192,010	\$250,010	\$250,010	\$58,000	30%
116 Traffic Impact Fees	\$1,706,000	\$1,454,000	\$440,000	(\$1,266,000)	-74%
118 Utility Tax	\$3,875,800	\$3,903,800	\$2,635,150	(\$1,240,650)	-32%
201 Debt Service	\$1,056,584	\$1,056,584	\$1,056,584	\$0	0%
301 Capital Project	\$1,481,000	\$2,608,000	\$1,221,000	(\$260,000)	-18%
302 Special Capital Project	\$2,045,000	\$2,812,000	\$1,351,000	(\$694,000)	-34%
303 Capital Street Reserve	\$9,686,000	\$11,426,000	\$6,504,000	(\$3,182,000)	-33%
354 Parks and Recreation Capital Projects	\$415,000	\$417,000	\$67,000	(\$348,000)	-84%
358 Facilities Capital Project	\$4,250,000	\$239,000	\$162,000	(\$4,088,000)	-96%
361 Sammamish Bridge Replacement	\$7,097,000	\$7,097,000	\$697,000	(\$6,400,000)	-90%
410 Surface Water Management	\$2,216,691	\$2,382,841	\$2,903,841	\$687,150	31%
412 Surface Water Capital Projects	\$633,000	\$773,000	\$1,056,470	\$423,470	67%
501 Equipment Rental	\$132,000	\$181,500	\$197,000	\$65,000	49%
503 Equipment Replacement	\$174,000	\$199,650	\$199,650	\$25,650	15%
505 Unemployment Reserve	\$30,000	\$30,000	\$38,000	\$8,000	27%
<b>Total all funds</b>	<b>\$65,716,156</b>	<b>\$65,629,940</b>	<b>\$45,218,355</b>	<b>(\$20,497,801)</b>	<b>-31.2%</b>

### NOTABLE BUDGET ADJUSTMENTS

Below are notable adjustments to the City's 2015/2016 Biennial Budget. More detail about the 2015 adjustments authorized by Ordinance No. 609 can be found on the City's website under the December 1, 2015 Council Agenda, and detail about 2016 adjustments authorized by Ordinance 637 can be found under the December 6, 2016 Council Agenda.

#### 2015 GENERAL FUND AND FACILITIES CAPITAL PROJECT FUND – DECREASE OF \$2,589,000

A transfer out of the General Fund and a CIP expenditure in the Facilities Capital Project Fund was removed from the budget when the Civic Center capital project was canceled by the City Council.

#### 2015 GENERAL FUND – INCREASE OF \$4,000,000

When the City Council eliminated the Civic Center project, the amount budgeted was reallocated by Council for property purchases funded by sources held in the General Fund.

#### 2016 GENERAL FUND – DECREASE OF \$3,000,000

Funds allocated for property purchases were carried over to 2017.

**2015 PARK IMPACT FEE AND THE FACILITIES CAPITAL PROJECT – DECREASE OF \$1,285,000**

A transfer out of the Park Impact Fee Fund and a CIP expenditure in the Facilities Capital Project Fund was removed from the budget when the Civic Center capital project was canceled by the City Council.

**2016 TRAFFIC IMPACT FEE – DECREASE OF \$1,014,000**

Unspent funds allocated for NE 171<sup>st</sup> St. Urban Parkway and Sammamish Bridge projects were decreased when the projects were carried over to the next biennium.

**2016 UTILITY TAX – DECREASE OF \$1,269,000**

Unspent funds allocated for NE 171<sup>st</sup> St. Urban Parkway and Sammamish Bridge projects were decreased when the projects were carried over to the next biennium.

**2015 CAPITAL PROJECT (REET I) – INCREASE OF \$1,490,000**

The funding source for the NE 171<sup>st</sup> Street Urban Parkway and Arterial Street projects was changed from Streamlined Sales Tax Mitigation revenues to REET I.

**2016 CAPITAL PROJECT (REET I) – DECREASE OF \$1,537,000**

Unspent funds allocated for NE 171<sup>st</sup> St. Urban Parkway and Sammamish Bridge projects were decreased when the projects were carried over to the next biennium.

**2016 SPECIAL CAPITAL PROJECT (REET II) – DECREASE OF \$1,472,000**

Unspent funds allocated for the Sammamish Bridge project were decreased when the project was carried over to the next biennium.

**2015 CAPITAL STREET RESERVE FUND – INCREASE OF \$2,190,000**

Expenditures budgeted in 2013/2014 for the Woodinville Duvall Road Widening project were carried into 2015.

**2016 CAPITAL STREET RESERVE FUND – DECREASE OF \$5,180,000**

Expenditures for capital street projects were carried over to the next biennium.

**2016 SAMMAMISH BRIDGE – DECREASE OF \$6,400,000**

Expenditures for the project were carried over to the next biennium.

**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 and inventory are recorded as capital expenditures when purchased.

**F. LONG-TERM DEBT**

See Note 4, *Debt Service Requirements*.

## G. COMPENSATED ABSENCES

Employees may accumulate up to twice their annual vacation benefit at the end of each year, which is payable upon separation or retirement. Amounts over the authorized limit are forfeited at year-end. All compensatory time received in lieu of overtime is payable upon separation or retirement. Payments for compensated absences are recognized as expenditures when paid.

Effective January 1, 2016, Teamsters Local Union No. 117 (Teamster) employees may accumulate up to 960 hours of sick leave. At the end of each year, Teamster employees may sell back sick leave accrued over 480 hours at the rate of one regular hour to every four accrued sick leave hours with a maximum of 24 regular hours. Upon retirement, Teamster employees may exchange up to 480 hours of sick leave at the rate of 25% of the employee's current base pay. The compensation is capped at \$5,000.

For non-Teamster employees, sick leave may be accumulated indefinitely and employees do not receive payment for any unused sick leave upon separation or retirement.

## H. OTHER FINANCING SOURCES OR USES

The City's *Other Financing Sources or Uses* consists of receipts from insurance recoveries and operating and capital related transfers in and out. The following schedule shows transfers made in 2016:

	Transfers From				Total
	General Fund	Capital Revenue Funds*	Special Revenue Funds**	Surface Water Mgmt***	
<b>Transfers To</b>					
Capital Street Reserve	128,260	1,070,550	603,700	142,770	1,945,280
Debt Service	520,601				520,601
Development Services	10,000				10,000
Facilities Capital Project	106,772				106,772
General Fund			683,816		683,816
Parks & Rec. Spec. Rev.	139,343		100,000		239,343
Parks and Rec. CIP		9,250	20,915		30,165
Hotel Motel Tax	3,451				3,451
Street Fund	623,000				623,000
Sammamish Bridge		560,500			560,500
<b>Total</b>	<b>\$1,531,427</b>	<b>\$1,640,300</b>	<b>\$1,408,431</b>	<b>\$142,770</b>	<b>\$4,722,928</b>

\*Transfers from the Capital Project and Special Capital Project funds (REET I & II)

\*\*Transfers from the Development Services, Traffic Impact, Utility Tax, and Admissions Tax funds

\*\*\*Transfers to and from the Surface Water Capital and Surface Water Management Fund have been eliminated since these funds are rolled-up for financial reporting purposes

## I. RISK MANAGEMENT

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### LIABILITY AND PROPERTY INSURANCE

The City of Woodinville is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 179 Members.

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

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

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

In-house services include risk management consultation, loss control field services, 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.

WCIA's financial statements can be obtained by writing or calling:

WCIA  
PO Box 88030  
Tukwila, WA 98138  
(206) 575-6046

#### 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 or resolution. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the following:

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##### ADMISSIONS TAX – ADMISSION TAX FUND - \$634,825

Tax collected on admissions is restricted in use by RCW 35.21.280 and Ordinance 177 for parks and recreation use. For the 2017/2018 budget, the entire 2016 ending restricted fund balance is designated towards replacing the City's sports fields.

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##### DEVELOPER CONTRIBUTIONS – CAPITAL STREET RESERVE FUND - \$168,683

Restricted by developer agreement for specific projects.

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##### CABLE PEG FEES – GENERAL FUND - \$67,908

The City receives Public, Educational, and Governmental (PEG) access fees as part of its agreement with cable franchises that operated within City limits. The fees are restricted for improving the City's cablecasting infrastructure which is used to broadcast Council and Committee meetings.

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##### CITY HALL SYSTEM REPLACEMENT – GENERAL FUND - \$452,541

The funds are restricted in use by Ordinance 274 for the repair, other than ordinary repair and maintenance, and replacement of major components of the City Hall, excluding any equipment that would be replaced from the Equipment Replacement Fund.

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##### PARK IMPACT FEES – PARK IMPACT FEE FUND - \$65,229

Restricted in use by RCW 82.02.050 – 070 and Ordinance 279 for the development of parks, open space, passive recreation parks, linear trail parks, and recreational facilities to serve new growth and development in Woodinville.

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##### TRAFFIC IMPACT FEES – TRAFFIC IMPACT FEE FUND - \$89,577

Restricted in use by RCW 82.02.050 – RCW 82.02.100 and Ordinance 356 for development of transportation facilities that constitute system improvements.



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PARKS LEVY – PARKS AND RECREATION CAPITAL PROJECTS FUND - \$166,732

On August 21, 2007, the voters of King County approved Proposition 2, the Parks Expansion Levy; a \$0.05, six-year, inflation adjusted property tax lid lift. One cent of the five-cent levy proceeds is distributed to cities in King County and is restricted for park and recreation expansion.

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LODGING TAX – HOTEL/MOTEL TAX FUND - \$63,516

Restricted in use by RCW 67.28 and Ordinance 364 for the promotion of tourism within City limits.

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REAL ESTATE EXCISE TAX I & II – CAPITAL PROJECT & SPECIAL CAPITAL PROJECT FUNDS - \$4,282,357

Restricted in use by RCW 82.43.010 and Ordinance 115 to finance capital projects that are specified in the City's comprehensive plan and housing relocation assistance under RCW 59.18.440 and 59.18.450.

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SEIZED ASSETS – GENERAL FUND - \$14,414

RCW 10.105.010 restricts funds collected or received because of drug-related confiscation for use on drug investigation related expenditures. These types of revenues are generated by asset seizures, confiscated/forfeited property, court dispositions requiring assessments, and restitution for investigation costs. Expenditures are costs incurred for pre-hearing conferences, supplies, equipment, training and other narcotics-related investigation expenses.

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TREE FUND – DEVELOPMENT SERVICES AND PARKS & RECREATION CAPITAL PROJECT FUND - \$149,250

The Tree Fund was established by City Council as part of Ordinance 478 in March of 2009. The fund was created to help developers meet tree planting requirements by allowing them to pay into the fund in lieu of planting trees. The fees must be used based on the criteria in WMC 21.15.050.

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UTILITY TAX – UTILITY TAX FUND - \$249,193

Ordinance 576 restricted at least 40% of utility tax collected for use on street improvement projects identified in the City's Capital Improvement Program that also met specific criteria. The amount was reduced to 25% by Ordinance 623, effective February 1, 2016.

## K. DESIGNATED FUNDS

Designated funds are part of the unreserved fund balance that have no formal constraints, but are intended to be used for specific purposes. The City has designated the following amounts for specific use:

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### STRATEGIC BUDGET RESERVE – GENERAL FUND - \$1,621,322

The Strategic Budget Reserve Fund was established with the 2003 budget Ordinance to provide a reserve for operating expenditures should operating revenues decline unexpectedly. Financial policy for the Reserve was set with Resolution 289, which establishes a target fund balance of 15% of the combined operating expenditures of the General and Street funds. The Reserve's funds are set aside for financial security and liquidity, emergency response funding, and interim funding during financial stress. In addition, the funds may be used for capital purposes with prior approval of a supermajority of the City Council.

The Reserve is rolled into the General Fund for financial reporting purposes. As of December 31, 2016, the Reserve was fully funded with a balance of \$1,621,322.

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### SALES TAX FROM CONSTRUCTION AND STREAMLINED SALES TAX - \$2,097,551

In 2015, the City Council designated revenues from sales tax from construction and streamlined sales tax mitigation for capital project expenditures. In exchange, a portion of utility tax revenue, a more dependable source of revenue, was reserved for operating expenditures.

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### EQUIPMENT REPLACEMENT – GENERAL FUND - \$750,279

The Equipment Replacement fund is rolled into the General Fund for financial reporting purposes. The funds are designated for the replacement of fixed assets that aren't accounted for in the Equipment Rental Fund.

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### EQUIPMENT RENTAL FUND - \$979,746

The Equipment Rental fund is an internal service fund that receives revenues by charging departments an allocation of motor vehicle costs. The funds are designated for the future replacement of motorized vehicles.

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### UNEMPLOYMENT FUND - \$13,086

The City self-insures for unemployment costs by allocating to departments the estimated cost of unemployment. The allocation is adjusted each year based on trends and the remaining balance of the fund.

## 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.

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

As of December 31, 2016, the carrying amount of the City's cash demand deposits with the City's official depository, Washington Federal, was \$1,044,495. Outstanding claims were \$583,452 and deposits in transit were \$20,567, leaving a bank balance of \$481,609.

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

Type of Investment	City's Own Investments	Investment Held by City as an Agent	Total
Local Government Investment Pool	\$ 35,911,194	\$ -	\$ 35,911,194

## NOTE 3 - PROPERTY TAX

The King County Treasurer acts as an agent to collect property tax levied in the County for all taxing authorities. Collections are distributed at the end of each month.

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 tax is levied.

### Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	The first of two property tax installments is due.
May 31	Assessed value of property is established for next year's levy at 100 percent to market value.
Oct 31	The second property tax installment is due.

The City's regular levy for the year 2016 was \$0.97948 per \$1,000 on an assessed valuation of \$3,160,326,783 for a total regular levy of \$3,091,316.

## NOTE 4 – DEBT SERVICE REQUIREMENTS

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2016.

As of December 31, 2016, the City had \$1,572,187 in outstanding limited tax general obligation bonds which will mature in 2020. The City has no other outstanding debt. The annual debt service requirements for the bonds are as follows:

### Debt Service Requirements

Year Ending December 31	Principal	Interest	Total
2017	341,435	50,327	391,762
2018	355,065	37,602	392,667
2019	367,872	24,382	392,254
2020	384,853	10,651	395,504
<b>Total</b>	<b>\$ 1,449,225</b>	<b>\$ 122,962</b>	<b>\$ 1,572,187</b>

## BOND HISTORY

On May 28, 1997, the City issued \$1,675,000 in Limited Tax General Obligation Bonds (5%-5.65%), and used the proceeds to extinguish an interfund loan that was established to purchase a three-acre site. Advanced refunding in 2005 left \$165,000 as the remaining unrefunded portion, and the bond fully matured at the end of 2007.

On July 5, 2000, the City issued \$4,990,000 in Limited Tax General Obligation Bonds and used the proceeds to construct a new City Hall. Advanced refunding in 2005 left \$1,025,000 as the remaining unrefunded portion of the bond, and the bond fully matured at the end of 2010.

In August of 2005, the City issued \$4,555,392 in Limited Tax General Obligation advance refunding bonds to advance refund the City's existing general obligation bonds. The refunding bonds have a maturity date of December 2020, and an interest rate of 3.69%.

## NOTE 5 - PENSION PLANS

### STATE SPONSORED PENSIONS PLANS

Substantially all the City's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans:

Public Employees' Retirement System (PERS)

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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

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

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2016 (the measurement date of the plans), the City's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1	0.020794%	\$1,116,736
PERS 2/3	0.024802%	\$1,248,761

RCW41.42.060 requires that the contribution rate of PERS 2/3 include an amount to amortize the underfunded PERS 1 actuarial accrued liability.

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#### MUNICIPAL EMPLOYEES BENEFIT TRUST (MEBT)

The City's regular full-time and qualifying regular part-time employees also participate in the City's defined contribution plan. By ordinance, City Council established the City of Woodinville Employees' Retirement System, in lieu of Social Security, as authorized by the Federal Social Security Act (Subchapter II, 42 USCA Section 401, et. seq) and other applicable federal and state laws (RCW 41.48.050), effective March 31, 1993.

All regular full-time and part-time employees of the City who are normally eligible for coverage and benefits under the Social Security system are required to participate. Non-regular employee, which include council members and seasonal employees, do not participate and contribute to Social Security.

The City and MEBT participants are required to contribute an amount equal to the current Federal Insurance Contributions Act (FICA) tax rate; provided that, the contributions shall be reduced by the amount of any Medicare contribution required by Code Section 3101 (b) (6), and 3111 (b) (6), or any other relevant statute. City contributions are reduced by the amount of insurance premiums necessary to fund the employer's survivor and disability insurance programs for the then current year. Employee contributions are pre-tax and the tax rates for the Plan correspond to the FICA rate. The City's contributions for fiscal year 2016 were \$154,911, which represents its full liability based on the rate of 6.2% less the reductions for Employer's survivor and disability insurance premiums. The City's MEBT payroll for the year ending December 31, 2016, was \$2,681,202.

Effective January 1, 2016, the City's MEBT plan was amended to remove the requirement that employees must be employed by the City on the last day of the allocation period for matching

employer contributions and provides for a pro rata match of all contributions for the period. Plan Section 4.4 was deleted and replaced in its entirety to reflect these changes.

The City has the right at any time to reduce, suspend, or completely discontinue its contributions to the plan. Actuarial determinations are not required because 1) long-term disability insurance and survivor income insurance are provided by Group Insurance Policy No. 377655 with Standard Insurance Company, and 2) each participant shall, at his/her normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay his/her retirement benefit from his/her account (no City or participant contributions shall be added to his account after retirement), and (c) pay a single cash sum. When a participant terminates, the Trustee shall be instructed to pay the full amount of the participant's contributions plus the vested portion credited to his/her account.

## NOTE 6 – HEALTH AND WELFARE

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### ASSOCIATION OF WASHINGTON CITIES

The City of Woodinville is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2016, 258 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Group Health Cooperative/Group Health Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2016, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map,

and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

## NOTE 7 – JOINT VENTURES AND RELATED PARTIES

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### A REGIONAL COALITION FOR HOUSING

In November 1992, King County and the cities of Bellevue, Redmond, and Kirkland joined together 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 Beau 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 of Woodinville's contribution in 2016 was \$14,286 or 2.19 percent of the Coalition's \$652,926 budget.

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 position 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 cash or investments 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.

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#### EMERGENCY SERVICES COORDINATING AGENCY

The Emergency Services Coordinating Agency (ESCA) was established by an inter-local agreement in 1994 to provide joint organization of emergency management. The Agency's jurisdiction included the cities of Brier, Edmonds, Kenmore, Lake Forest Park, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodinville and the town of Woodway.

On June 25, 2014, Agency members passed Resolution 2015-2 to dissolve ESCA, effective December 31, 2015. The City of Woodinville's final contribution to ESCA was \$25,592, or 5.95 percent of total member contributions, for services provided throughout 2015.

As a result of the dissolution, City of Woodinville received \$1,600 in 2015 as a reimbursement for radio equipment and \$21,298 in 2016 for its share of liquidated assets.

The City now receives emergency services from the King County Office of Emergency Management.

#### NOTE 8 – OTHER DISCLOSURES

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##### SUBSEQUENT EVENTS

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##### PARCEL CONDEMNATION SETTLEMENT

In March of 2017, the City negotiated a parcel condemnation settlement for property associated with the 171<sup>st</sup> St. Urban Parkway project. \$49,750 was paid in June of 2016 for to secure possession and use of the property while the final value was negotiated. The \$137,250 balance was paid in March of 2017.



**City of Woodinville**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2016**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>General Obligation Debt/Liabilities</b>						
251.11	LTGO Refunding 1997 & 2000 Bonds	12/1/2020	1,904,549	-	455,324	1,449,225
	<b>Total General Obligation Debt/Liabilities:</b>		<b>1,904,549</b>	<b>-</b>	<b>455,324</b>	<b>1,449,225</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		218,625	227,786	204,059	242,352
264.30	Pension Liabilities		2,159,431	206,066	-	2,365,497
	<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>		<b>2,378,056</b>	<b>433,851</b>	<b>204,059</b>	<b>2,607,849</b>
	<b>Total Liabilities:</b>		<b>4,282,605</b>	<b>433,851</b>	<b>659,383</b>	<b>4,057,074</b>

## 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	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>