



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

**Financial Statements and Federal Single Audit  
Report**

**City of Woodinville**

**For the period January 1, 2018 through December 31, 2018**

**Published September 12, 2019**

**Report No. 1024538**





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

September 12, 2019

Council  
City of Woodinville  
Woodinville, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Woodinville'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,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### City of Woodinville January 1, 2018 through December 31, 2018

#### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Woodinville are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the City’s financial statements in accordance with its regulatory basis of accounting. Separately, 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 using a basis of accounting other than GAAP.

##### 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 in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**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  
January 1, 2018 through December 31, 2018**

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, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City’s financial statements, and have issued our report thereon dated September 9, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

## COMPLIANCE AND OTHER MATTERS

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

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

## PURPOSE OF THIS REPORT

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

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

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Pat McCarthy

State Auditor

Olympia, WA

September 9, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Woodinville  
January 1, 2018 through December 31, 2018**

Council  
City of Woodinville  
Woodinville, Washington

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

We have audited the compliance of the City of Woodinville, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

## **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 the Uniform Guidance, 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 the Uniform Guidance. 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

September 9, 2019

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Woodinville January 1, 2018 through December 31, 2018

Council  
City of Woodinville  
Woodinville, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Woodinville, for the year ended December 31, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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

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

### **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 cash and investments of the City of Woodinville, and its changes in cash and investments, for the year ended December 31, 2018, 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, 2018, 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Liabilities is 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 9, 2019 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

September 9, 2019

## **FINANCIAL SECTION**

### **City of Woodinville January 1, 2018 through December 31, 2018**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2018  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2018  
Notes to Financial Statements – 2018

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2018  
Schedule of Expenditures of Federal Awards – 2018  
Notes to the Schedule of Expenditures of Federal Awards – 2018

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General Fund</b>	<b>101 Street Fund</b>	<b>104 Development Services</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	9,365,432	568,187	-	396,147
30880	Unreserved	34,322,538	28,246,629	5,180	1,047,225
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	13,912,213	10,764,180	-	-
320	Licenses and Permits	1,528,171	359,048	-	1,169,123
330	Intergovernmental Revenues	5,357,723	663,015	271,677	3,750
340	Charges for Goods and Services	3,964,252	111,758	-	1,025,974
350	Fines and Penalties	47,216	47,216	-	-
360	Miscellaneous Revenues	1,094,243	768,858	-	-
Total Revenues:		25,903,817	12,714,074	271,677	2,198,847
<b>Expenditures</b>					
510	General Government	2,527,842	2,505,849	-	-
520	Public Safety	3,613,358	3,613,358	-	-
530	Utilities	1,199,929	-	-	-
540	Transportation	1,648,348	650,551	940,410	-
550	Natural and Economic Environment	1,883,634	249,401	-	1,549,089
560	Social Services	-	-	-	-
570	Culture and Recreation	556,439	-	-	-
Total Expenditures:		11,429,550	7,019,158	940,410	1,549,089
Excess (Deficiency) Revenues over Expenditures:		14,474,267	5,694,917	(668,733)	649,758
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	8,986,027	702,472	640,000	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	25,618	40	25,578	-
Total Other Increases in Fund Resources:		9,011,645	702,512	665,578	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	12,209,524	266,400	-	-
591-593, 599	Debt Service	392,667	-	-	-
597	Transfers-Out	8,986,027	2,614,401	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		21,588,218	2,880,802	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,897,694</b>	<b>3,516,626</b>	<b>(3,155)</b>	<b>649,758</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	7,987,464	409,171	-	604,520
5088000	Unreserved	37,598,200	31,922,272	2,025	1,488,610
<b>Total Ending Cash and Investments</b>		<b>45,585,664</b>	<b>32,331,443</b>	<b>2,025</b>	<b>2,093,130</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, 2018**

		<b>110 Admission Tax</b>	<b>111 Parks &amp; Recreation Special</b>	<b>114 Park Impact Fee</b>	<b>115 Hotel/Motel Tax</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	772,541	-	879,922	98,173
30880	Unreserved	-	4,549	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	333,069	-	-	118,972
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	233,519	558,800	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	15,962	-	13,568	2,209
Total Revenues:		349,031	233,519	572,368	121,181
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	85,144
560	Social Services	-	-	-	-
570	Culture and Recreation	-	556,439	-	-
Total Expenditures:		-	556,439	-	85,144
Excess (Deficiency) Revenues over Expenditures:		349,031	(322,920)	572,368	36,037
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	356,400	-	742
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	356,400	-	742
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	13,087	-	17,850
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	100,000	-	633,253	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		100,000	13,087	633,253	17,850
<b>Increase (Decrease) in Cash and Investments:</b>		<b>249,031</b>	<b>20,393</b>	<b>(60,885)</b>	<b>18,929</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,021,573	-	819,037	117,102
5088000	Unreserved	-	24,941	-	-
<b>Total Ending Cash and Investments</b>		<b>1,021,573</b>	<b>24,941</b>	<b>819,037</b>	<b>117,102</b>

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>116 Traffic Impact Fee</b>	<b>118 Utility Tax</b>	<b>201 Debt Service</b>	<b>301 Capital Improvement</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	640,680	649,695	-	2,442,534
30880	Unreserved	-	1,382,517	547	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	936,160	-	862,826
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	602,478	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	7,601	26,722	-	38,901
Total Revenues:		610,079	962,882	-	901,728
<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:		610,079	962,882	-	901,727
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	58,550	392,667	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	58,550	392,667	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	392,667	-
597	Transfers-Out	1,071,000	1,626,081	-	1,176,559
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,071,000	1,626,081	392,667	1,176,559
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(460,921)</b>	<b>(604,649)</b>	<b>(0)</b>	<b>(274,832)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	179,759	45,397	-	2,167,702
5088000	Unreserved	-	1,382,166	547	-
<b>Total Ending Cash and Investments</b>		<b>179,759</b>	<b>1,427,563</b>	<b>547</b>	<b>2,167,702</b>

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>302 Special Capital Project</b>	<b>303 Capital Street Fund Reserve</b>	<b>354 Parks Capital Project</b>	<b>358 Facilities Capital Project</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	2,681,495	168,683	67,375	-
30880	Unreserved	-	188,250	27,170	281
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	862,811	-	34,194	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	2,097,125	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	44,891	12,331	100,123	141
Total Revenues:		907,702	2,109,456	134,317	141
<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:		907,702	2,109,456	134,317	141
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	25,619	3,905,032	817,443	323,896
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		25,619	3,905,032	817,443	323,896
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	6,264,166	917,449	323,921
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	1,093,183	82,550	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		1,093,183	6,346,716	917,449	323,921
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(159,862)</b>	<b>(332,228)</b>	<b>34,311</b>	<b>116</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	2,521,634	-	101,570	-
5088000	Unreserved	-	24,705	27,286	396
<b>Total Ending Cash and Investments</b>		<b>2,521,634</b>	<b>24,705</b>	<b>128,855</b>	<b>396</b>

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>361 Sammamish Bridge</b>	<b>410 Surface Water Management</b>	<b>501 Equipment Rental</b>	<b>503 Equipment Replacement</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	-	-	-	-
30880	Unreserved	15,187	1,610,807	1,083,335	666,304
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,254,381	67,775	-	-
340	Charges for Goods and Services	-	1,160,704	222,899	14,820
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	7,008	20,641	26,226	8,118
Total Revenues:		2,261,389	1,249,120	249,125	22,938
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	1,199,929	-	-
540	Transportation	-	-	57,388	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	1,199,929	57,388	-
Excess (Deficiency) Revenues over Expenditures:		2,261,389	49,191	191,737	22,938
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,763,207	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		1,763,207	-	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	4,017,045	80,478	-	309,127
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	589,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		4,017,045	669,478	-	309,127
<b>Increase (Decrease) in Cash and Investments:</b>		<b>7,551</b>	<b>(620,287)</b>	<b>191,737</b>	<b>(286,189)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	22,737	990,520	1,275,072	380,115
<b>Total Ending Cash and Investments</b>		<b>22,737</b>	<b>990,520</b>	<b>1,275,072</b>	<b>380,115</b>

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

		<b>505</b>
		<b>Unemployment</b>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	44,559
388 / 588	Prior Period Adjustments, Net	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	33,300
350	Fines and Penalties	-
360	Miscellaneous Revenues	944
Total Revenues:		34,244
<b>Expenditures</b>		
510	General Government	21,993
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		21,993
Excess (Deficiency) Revenues over Expenditures:		12,251
<b>Other Increases in Fund Resources</b>		
391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-
<b>Other Decreases in Fund Resources</b>		
594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
581	Other Uses	-
Total Other Decreases in Fund Resources:		-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>12,251</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	56,809
<b>Total Ending Cash and Investments</b>		<b>56,809</b>

**City of Woodinville**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2018**

	<b>Agency</b>
308 Beginning Cash and Investments	1,967,633
388 & 588 Prior Period Adjustment, Net	-
310-390 Additions	684,692
510-590 Deductions	63,220
Net Increase (Decrease) in Cash and Investments:	621,472
508 Ending Cash and Investments	2,589,105

*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, 2018**

**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 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 government 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 government'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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

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**GOVERNMENTAL FUND TYPES**

**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.

**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.

## 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

### ENTERPRISE FUNDS

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

### 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 in a trustee capacity or as an agent on behalf of others.

### CUSTODIAL FUNDS

These funds are used to account for assets that the government 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 twenty days after the close of the fiscal year for claims incurred during the previous period.

## C. CASH AND INVESTMENTS

See Note 3, Deposits and Investments.

## D. CAPITAL ASSETS

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

## E. 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.

City employees work flexible schedules that provide every other Friday off. If a holiday falls on an employee's flex day, the employee receives "banked holiday" hours to use on a future date. Banked holiday hours do not expire and are payable upon separation or retirement.



Payments for compensated absences are recognized as expenditures when paid.

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.

#### F. LONG-TERM DEBT

See Note 5, Debt Service Requirements.

#### G. 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. Reserved portions of ending cash and investments consist of the following:

##### ADMISSIONS TAX – ADMISSION TAX FUND - \$ 1,021,573

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 ending fund balance was designated towards replacing the City's sports fields.

##### CITY HALL SYSTEM REPLACEMENT – GENERAL FUND - \$394,757

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.

##### PARK IMPACT FEES – PARK IMPACT FEE FUND - \$819,037

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.

##### TRAFFIC IMPACT FEES – TRAFFIC IMPACT FEE FUND - \$179,759

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

##### PARKS LEVY – PARKS AND RECREATION CAPITAL PROJECTS FUND - \$101,570

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.

##### LODGING TAX – HOTEL/MOTEL TAX FUND - \$117,102

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

REAL ESTATE EXCISE TAX I & II – CAPITAL PROJECT & SPECIAL CAPITAL PROJECT FUNDS - \$4,689,336

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.

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.

TREE FUND – DEVELOPMENT SERVICES FUND - \$604,520

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.

UTILITY TAX – UTILITY TAX FUND - \$45,397

City Ordinance 623 restricted at least 25% of the utility tax collected to use on street improvement projects that meet specific criteria and are identified in the City's Capital Improvement Program. Ordinance 676, effective January 1, 2019, allows 100% of utility tax collected to be used for any legal government purpose. The amount above reflects a portion of the restricted revenue that has not yet been used for street improvements.

## H. 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:

STRATEGIC BUDGET RESERVE – GENERAL FUND - \$1,921,322

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 Strategic Budget Reserve is rolled into the General Fund for financial reporting purposes.

SALES TAX FROM CONSTRUCTION AND STREAMLINED SALES TAX - \$4,272,465

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.

#### EQUIPMENT REPLACEMENT - \$380,115

In prior years, the Equipment Replacement fund was funded entirely with transfers from the General Fund and rolled into the General Fund for financial reporting purposes. In 2017, the City created an Equipment Replacement Fund policy, which includes procedures for replenishing the fund with internal service charges as capital equipment ages. As a result, the fund is considered an internal service fund and is no longer being rolled into the General Fund.

The funds are designated for the replacement of fixed assets that aren't accounted for in the Equipment Rental Fund.

#### EQUIPMENT RENTAL FUND - \$1,275,072

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.

#### UNEMPLOYMENT FUND - \$56,809

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.

### I. 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 table below provides information on the types of transfers made in 2018:

	Transfers From				Total
	General Fund	Capital Project Funds*	Special Revenue** and SWM Funds	Other***	
Capital Street Reserve	\$798,590	\$1,757,833	\$1,348,610		\$3,905,032
Debt Service	\$392,667				\$392,667
Development Services					\$0
Facilities Capital Project	\$323,896				\$323,896
General Fund****			\$702,472		\$702,472
Hotel/Motel Tax	\$742				\$742
Parks & Rec. Spec. Rev.	\$256,400		\$100,000		\$356,400
Parks and Rec. CIP	\$105,400	\$78,790	\$633,253		\$817,443
Utility Tax				\$58,550	\$58,550
Street Fund	\$640,000				\$640,000
Sammamish Bridge	\$96,707	\$431,500	\$1,235,000		\$1,763,207
Special Capital Proejct (REET 2)		\$1,619		\$24,000	\$25,619
<b>Total</b>	<b>\$2,614,401</b>	<b>\$2,269,742</b>	<b>\$4,019,334</b>	<b>\$82,550</b>	<b>\$8,986,027</b>

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

\*\*Transfers from the Parks & Rec CIP, Park Impact, Utility Tax, and Admissions Tax funds

\*\*\*Transfer from the Capital Street Reserve Fund back to the Utility Tax and REET 2 Funds

\*\*\*\*Transfers to and from the General Fund to the System Replacement and Strategic Budget Reserve, and from the Surface Water Mangement Fund to the Surface Water Capital Fund, have been eliminated since those funds are rolled up for financial reporting purposes

## NOTE 2 – BUDGET COMPLIANCE

### A. 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               | • 354 Parks and Rec. Capital Projects |
| • 111 Parks & Rec. Special Revenue | • 358 Facilities Capital Project      |
| • 112 System Replacement           | • 361 Sammamish Bridge Replacement    |
| • 113 Strategic Budget Reserve     | • 410 Surface Water Management        |
| • 114 Park Impact Fee              | • 412 Surface Water Capital Projects  |
| • 115 Hotel/Motel Tax              | • 501 Equipment Rental                |
| • 116 Traffic Impact Fees          | • 503 Equipment Replacement           |
| • 118 Utility Tax                  | • 505 Unemployment Reserve            |
| • 201 Debt Service                 |                                       |

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

Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. However, for financial reporting purposes, the 112 System Replacement and 113 Strategic Budget Reserve funds 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 legally adopted 2017/2018 biennial budget are shown on the following page.

## 2017 - 2018 Biennium Final Appropriated Budget vs. Actual

Fund	Ord. 673 Final Appropriated	Total Biennial Expenditures	Variance Budget to Actual
001 General Fund	\$21,832,564	\$18,143,761	\$3,688,803
101 Street Fund	\$2,157,170	\$1,844,491	\$312,679
104 Development Services	\$3,553,546	\$3,010,794	\$542,752
110 Admission Tax	\$200,000	\$200,000	\$0
111 Parks & Recreation Special Revenue	\$1,221,008	\$1,168,016	\$52,992
112 System Replacement	\$158,000	\$107,784	\$50,216
113 Strategic Budget Reserve	\$0	\$0	\$0
114 Park Impact Fee	\$919,264	\$903,688	\$15,576
115 Hotel/Motel Tax	\$196,737	\$175,419	\$21,318
116 Traffic Impact Fees	\$1,071,000	\$1,071,000	\$0
118 Utility Tax	\$2,978,839	\$2,368,602	\$610,237
201 Debt Service	\$784,429	\$784,429	\$0
301 Capital Project	\$2,332,332	\$1,656,149	\$676,183
302 Special Capital Project	\$2,052,515	\$1,491,483	\$561,032
303 Capital Street Reserve	\$9,614,942	\$7,318,399	\$2,296,543
354 Parks and Recreation Capital Projects	\$2,225,000	\$1,461,626	\$763,374
358 Facilities Capital Project	\$918,000	\$494,976	\$423,024
361 Sammamish Bridge Replacement	\$7,495,085	\$4,179,106	\$3,315,979
410 Surface Water Management	\$2,760,364	\$2,467,431	\$292,933
412 Surface Water Capital Projects	\$938,787	\$674,265	\$264,522
501 Equipment Rental	\$314,500	\$264,121	\$50,379
503 Equipment Replacement	\$613,657	\$399,647	\$214,010
505 Unemployment Reserve	\$60,000	\$22,800	\$37,200
<b>Total all funds</b>	<b>\$64,397,739</b>	<b>\$50,207,985</b>	<b>\$14,189,754</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.

The original 2017/2018 budget (Ordinance 640), a summary of mid-biennial revisions (Ordinance No. 654), and a summary of end of the biennium budget revisions (Ordinance 673) can be found on the next page.

## Summary of 2017 - 2018 Biennial Budget Amendments

Fund	Ord. 640 Original Budget	Ord. 654 Amended Budget	Ord. 763 Amended Budget	\$ Change from Original	% Change
001 General Fund	\$25,705,159	\$27,425,143	\$21,832,564	(\$3,872,595)	-15%
101 Street Fund	\$2,077,420	\$2,228,120	\$2,157,170	\$79,750	4%
104 Development Services	\$3,029,631	\$3,505,896	\$3,553,546	\$523,915	17%
110 Admission Tax	\$200,000	\$200,000	\$200,000	\$0	0%
111 Parks & Rec. Special Revenue	\$1,173,600	\$1,205,375	\$1,221,008	\$47,408	4%
112 System Replacement	\$425,000	\$390,000	\$158,000	(\$267,000)	-63%
113 Strategic Budget Reserve	\$0	\$0	\$0	\$0	0%
114 Park Impact Fee	\$330,000	\$965,000	\$919,264	\$589,264	179%
115 Hotel/Motel Tax	\$188,000	\$196,737	\$196,737	\$8,737	5%
116 Traffic Impact Fees	\$500,000	\$671,000	\$1,071,000	\$571,000	114%
118 Utility Tax	\$3,163,664	\$3,604,664	\$2,978,839	(\$184,825)	-6%
201 Debt Service	\$784,429	\$784,429	\$784,429	\$0	0%
301 Capital Project	\$2,321,000	\$2,897,332	\$2,332,332	\$11,332	0%
302 Special Capital Project	\$2,325,000	\$3,017,515	\$2,052,515	(\$272,485)	-12%
303 Capital Street Reserve	\$8,850,000	\$12,900,942	\$9,614,942	\$764,942	9%
354 Parks & Rec. Capital Projects	\$2,075,000	\$2,127,000	\$2,225,000	\$150,000	7%
358 Facilities Capital Project	\$1,070,000	\$975,000	\$918,000	(\$152,000)	-14%
361 Sammamish Bridge Replacement	\$6,400,000	\$7,603,085	\$7,495,085	\$1,095,085	17%
410 Surface Water Management	\$2,515,640	\$2,650,655	\$2,760,364	\$244,724	10%
412 Surface Water Capital Projects	\$1,054,000	\$1,058,787	\$938,787	(\$115,213)	-11%
501 Equipment Rental	\$271,500	\$271,500	\$314,500	\$43,000	16%
503 Equipment Replacement	\$673,000	\$588,657	\$613,657	(\$59,343)	-9%
505 Unemployment Reserve	\$60,000	\$60,000	\$60,000	\$0	0%
<b>Total all funds</b>	<b>\$65,192,042</b>	<b>\$75,326,837</b>	<b>\$64,397,739</b>	<b>(\$794,303)</b>	<b>-1.2%</b>

### NOTABLE BUDGET ADJUSTMENTS

Below are notable adjustments to the City's 2017/2018 Biennial Budget. Detail about the mid-biennial adjustments, authorized by Ordinance No. 654, and the end of biennium budget adjustments, authorized by Ordinance 673, can be found on the City's website under the Council Agendas.

#### GENERAL FUND – DECREASE OF \$3,872,595

Council appropriated \$4 million for property purchases during the biennium. No property was purchased.

#### DEVELOPMENT SERVICES FUND – INCREASE OF \$523,915

The City has an interlocal agreement (ILA) with the Woodinville Fire District to perform its fire code inspections. The Fire District collects the related fees on behalf of the City and remits revenue according to the ILA. \$243,000 of the increase budgeted for Development Services is to show the

cost of the District performing the inspections. The remaining amount is for professional services and credit card fees due to an increase in development activity.

#### PARK IMPACT FEE FUND – INCREASE OF \$589,264

Transfers out of the Park Impact Fee Fund were increased when funding was switched from the Capital Project Fund to pay for the Wilmot Park Play Structure, the Woodinville Heights Play Structure, and the DeYoung Park Improvement projects.

#### TRAFFIC IMPACT FEE FUND – INCREASE OF \$571,000

The City received more traffic impact fees than originally budgeted during the 2017/2018 biennium. The use of these funds is restricted to projects classified as system improvements. Funding for the Sammamish Bridge project, classified as a system improvement project by Ordinance 527, was shifted to use more traffic impact fees.

#### CAPITAL STREET RESERVE FUND – INCREASE OF \$764,942

\$515,442 of the increase was carryover from expenditures anticipated in the 2015/2016 biennium that didn't occur until 2017. Costs for the NE 171<sup>st</sup> Street Urban Parkway Project were \$1.94 million more than originally estimated. \$181,900 of the increase was for two emergency projects that occurred in 2017; the NE Woodinville Drive Embankment and Slope Repair and the 2017 Emergency Pavement Repair. A transfer out of \$193,600 in unused Utility Tax funds was budgeted to return money that was reimbursed with grants to the Utility Tax Fund. In addition, significant costs for three projects were moved to the next biennium, decreasing the budget by \$2.125 million.

#### SAMMAMISH BRIDGE REPLACEMENT FUND – INCREASE OF \$1,095,085

\$303,085 of the increase to the budget for the Sammamish Bridge Replacement Fund was from expenditures expected to occur at the end of the 2015/2016 biennium that didn't occur until 2017. The remaining amount is for additional design costs and an inflationary increase.

### NOTE 3 – 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.

All deposits and certificates of deposit 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.

Investments are reported at original cost. Investments by type at December 31, 2018 are as shown below:

Type of Investment	City's Own Investments	Investment Held by City as an Agent	Total
Local Government Investment Pool	\$ 25,043,390	\$ 2,589,104	\$ 27,632,494
Government Agency Securities	\$ 3,966,933		\$ 3,966,933
U.S. Obligations	\$ 4,494,930		\$ 4,494,930
U.S. Treasury Notes & Bonds	\$ 11,328,750		\$ 11,328,750
Washington Federal Public Fund Account	\$ 1,754,241	\$ -	\$ 1,754,241
Washington Federal Checking ( <i>non-interest bearing</i> )	\$ 1,290,594		\$ 1,290,594
<b>Total</b>	<b>\$ 47,878,838</b>	<b>\$ 2,589,104</b>	<b>\$ 50,467,942</b>

#### NOTE 4 - 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 throughout 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.

The City's regular levy for the year 2018 was \$0.90484 per \$1,000 on an assessed valuation of \$3,690,029,346 for a total regular levy of \$3,331,989

##### 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.

#### NOTE 5 – 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, 2018.

As of December 31, 2018, the City had \$752,725 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
2019	367,872	24,382	392,254
2020	384,853	10,651	395,504
Total	\$ 752,725	\$ 35,033	\$ 787,758



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## 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 6 – PENSION PLANS

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### STATE SPONSORED PENSION 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, 2018 (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>Employer Contributions</b>	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1	\$ 149,855	0.022419%	\$1,001,240
PERS 2/3	\$ 208,112	0.026971%	\$460,506

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 employees, which includes 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 2018 were \$184,419, 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, 2018, was \$3,185,877.

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 7 – 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 160 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage 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, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

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

## NOTE 8 – HEALTH AND WELFARE

### 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, 2018, 257 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: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington 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 2018, 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 Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. 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"). In 2018, the retiree medical plan subsidy was eliminated. 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 9 – JOINT VENTURES AND RELATED PARTIES

### 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 2018 was \$14,936 or 2.896 percent of the Coalition's \$515,804 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, 16225 NE 87th Street, Suite A-3, Redmond, WA 98052.

## NOTE 10 – SUBSEQUENT EVENTS

### INVESTMENT PORTFOLIO

On April 10, 2019, City used \$13.97 million from its account in the Local Government Investment Pool to purchase \$11,941,329.28 in US Government Securities and \$1,999,170 in Corporate Notes, bringing its core investment portfolio balance to \$33,768,321.

### DEVELOPMENT COMMITMENT

In May of 2019, the City placed \$5,210,459 in escrow for its contribution to the Civic Campus Project. The funds are held in accordance with the City's Purchase and Sale Agreement with

Woodinville Civic Campus Partners LLC (WWCP), and will be released by escrow to WWCP as follows:

- 20% at closing
- 20% upon commencing the physical work of the intersection improvements
- 15% upon commencing the demolition of the mansard roof on the Rec Center
- 25% upon substantial completion of the Renovated WRC Space
- 15% upon commencement of T.I. work in the new WRC Space
- 5% upon substantial completion of Punch List items and submittal to City of as-built drawings for the work in sections designated by the agreement

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## CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2018. Significant projects (those with over \$1 million remaining on the construction contract at year end) include:

- Sammamish River Bridge Replacement

At year-end the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Sammamish River Bridge	\$3,315,331	\$2,526,794

**City of Woodinville  
Schedule of Liabilities  
For the Year Ended December 31, 2018**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	LTGO Refunding 1997 & 2000 Bonds	12/1/2020	1,107,790	-	355,065	752,725
<b>Total General Obligation Debt/Liabilities:</b>			<b>1,107,790</b>	<b>-</b>	<b>355,065</b>	<b>752,725</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		266,235	258,318	249,912	274,641
264.30	Pension Liabilities		1,988,293	-	526,547	1,461,746
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,254,528</b>	<b>258,318</b>	<b>776,460</b>	<b>1,736,387</b>
<b>Total Liabilities:</b>			<b>3,362,318</b>	<b>258,318</b>	<b>1,131,525</b>	<b>2,489,112</b>

**City of Woodinville**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2018**

	Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards	Total		
Highway Planning and Construction Cluster									
	FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HPP-2456(001) LA 6489	1,234,265	-	1,234,265	-	1
Total Highway Planning and Construction Cluster:					1,234,265	-	1,234,265	-	
	ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via State of Washington Department of Ecology (via City of Redmond ILA))	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	SEANEP-2014- RedmPW- 00039	24,195	-	24,195	-	1
Total Federal Awards Expended:					1,258,460	-	1,258,460	-	



**CITY OF WOODINVILLE, WASHINGTON  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 - BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the City's financial statements. The City of Woodinville reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the cash basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>