



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

**Financial Statements Audit Report**  
**City of Woodinville**

**For the period January 1, 2019 through December 31, 2019**

**Published February 1, 2021**

**Report No. 1027688**





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

February 1, 2021

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

***Americans with Disabilities***

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

**City of Woodinville  
January 1, 2019 through December 31, 2019**

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, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated January 21, 2021.

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 state law 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.

As discussed in Note 10 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 10.

**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.

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

January 21, 2021

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Woodinville January 1, 2019 through December 31, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 11.

#### 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 state law 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 state law 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, 2019, 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, 2019, or the changes in financial position or cash flows thereof 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.



## **Matter of Emphasis**

As discussed in Note 10 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 10. Our opinion is not modified with respect to this matter.

## **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 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 January 21, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an

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

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

Pat McCarthy

State Auditor

Olympia, WA

January 21, 2021

## **FINANCIAL SECTION**

### **City of Woodinville January 1, 2019 through December 31, 2019**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2019  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to the Financial Statements – 2019

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

Schedule of Liabilities – 2019

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<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	7,987,464	409,171	-	604,520
30880	Unreserved	37,598,201	31,922,272	2,025	1,488,610
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	15,036,236	12,341,590	-	-
320	Licenses and Permits	1,349,960	346,456	-	1,003,504
330	Intergovernmental Revenues	4,141,594	569,816	265,785	11,250
340	Charges for Goods and Services	4,864,910	107,351	-	871,523
350	Fines and Penalties	39,961	39,961	-	-
360	Miscellaneous Revenues	1,794,501	1,485,138	-	-
Total Revenues:		27,227,162	14,890,312	265,785	1,886,277
<b>Expenditures</b>					
510	General Government	2,467,740	2,424,338	-	-
520	Public Safety	4,101,399	4,101,399	-	-
530	Utilities	998,884	-	-	-
540	Transportation	1,812,701	754,115	1,003,435	-
550	Natural and Economic Environment	2,042,048	259,867	-	1,660,132
560	Social Services	-	-	-	-
570	Culture and Recreation	590,750	-	-	-
Total Expenditures:		12,013,522	7,539,719	1,003,435	1,660,132
Excess (Deficiency) Revenues over Expenditures:		15,213,640	7,350,593	(737,650)	226,145
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	7,660,465	343,811	776,500	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	14,227	-	377	-
Total Other Increases in Fund Resources:		7,674,692	343,811	776,877	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	10,042,297	360,073	46,622	-
591-593, 599	Debt Service	392,254	-	-	-
597	Transfers-Out	7,660,464	5,386,850	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		18,095,015	5,746,923	46,622	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>4,793,317</b>	<b>1,947,481</b>	<b>(7,395)</b>	<b>226,145</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	10,855,205	71,925	-	605,264
5088000	Unreserved	39,523,780	34,207,001	(5,370)	1,714,011
<b>Total Ending Cash and Investments</b>		<b>50,378,985</b>	<b>34,278,926</b>	<b>(5,370)</b>	<b>2,319,275</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, 2019**

		<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	1,021,573	-	819,037	117,102
30880	Unreserved	-	24,941	-	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	317,590	-	-	125,331
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	179,745	747,104	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	25,625	5,682	18,429	3,318
Total Revenues:		343,215	185,427	765,533	128,649
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural and Economic Environment	-	-	-	122,049
560	Social Services	-	-	-	-
570	Culture and Recreation	-	590,750	-	-
Total Expenditures:		-	590,750	-	122,049
Excess (Deficiency) Revenues over Expenditures:		343,215	(405,323)	765,533	6,600
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	394,000	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	394,000	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	15,403	-	6,150
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	150,466	-	217,000	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		150,466	15,403	217,000	6,150
<b>Increase (Decrease) in Cash and Investments:</b>		<b>192,749</b>	<b>(26,726)</b>	<b>548,533</b>	<b>450</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,214,321	-	1,367,569	117,553
5088000	Unreserved	-	(1,785)	-	-
<b>Total Ending Cash and Investments</b>		<b>1,214,321</b>	<b>(1,785)</b>	<b>1,367,569</b>	<b>117,553</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, 2019**

		<b>116 Traffic Impact Fees</b>	<b>118 Utility Tax</b>	<b>201 Debt Service</b>	<b>301 Capital Improvement</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	179,759	45,396	-	2,167,702
30880	Unreserved	-	1,382,166	547	-
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	1,107,000
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	1,050,086	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	11,547	25,948	-	61,341
Total Revenues:		1,061,633	25,948	-	1,168,341
<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:		1,061,633	25,948	-	1,168,341
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	392,254	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	392,254	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	-	-	-
591-593, 599	Debt Service	-	-	392,254	-
597	Transfers-Out	-	557,390	-	34,883
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	557,390	392,254	34,883
<b>Increase (Decrease) in Cash and Investments:</b>		<b>1,061,633</b>	<b>(531,442)</b>	<b>-</b>	<b>1,133,458</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	1,241,392	-	-	3,301,161
5088000	Unreserved	-	896,121	547	-
<b>Total Ending Cash and Investments</b>		<b>1,241,392</b>	<b>896,121</b>	<b>547</b>	<b>3,301,161</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, 2019**

		<b>302 Special Capital Project</b>	<b>303 Capital Street Reserve Fund</b>	<b>354 Parks Capital Project</b>	<b>358 Facilities Capital Project</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	2,521,634	-	101,570	-
30880	Unreserved	-	24,705	27,286	396
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	1,107,000	-	37,725	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	318,439	-	-
340	Charges for Goods and Services	-	556,601	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	63,156	8,918	3,467	312
Total Revenues:		1,170,156	883,958	41,192	312
<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:		1,170,156	883,958	41,192	312
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	1,720,707	288,364	3,513,338
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	1,720,707	288,364	3,513,338
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	-	1,970,966	288,522	3,514,318
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	895,064	343,811	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		895,064	2,314,777	288,522	3,514,318
<b>Increase (Decrease) in Cash and Investments:</b>		<b>275,092</b>	<b>289,888</b>	<b>41,034</b>	<b>(668)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	2,796,726	-	139,294	-
5088000	Unreserved	-	314,592	30,596	(271)
<b>Total Ending Cash and Investments</b>		<b>2,796,726</b>	<b>314,592</b>	<b>169,890</b>	<b>(271)</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, 2019**

		<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	22,737	990,520	1,275,072	380,115
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	2,969,884	6,420	-	-
340	Charges for Goods and Services	-	1,159,516	110,564	62,420
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	5,404	43,464	23,683	8,029
Total Revenues:		2,975,288	1,209,400	134,247	70,449
<b>Expenditures</b>					
510	General Government	-	-	-	20,057
520	Public Safety	-	-	-	-
530	Utilities	-	998,884	-	-
540	Transportation	-	-	55,151	-
550	Natural and Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	-
Total Expenditures:		-	998,884	55,151	20,057
Excess (Deficiency) Revenues over Expenditures:		2,975,288	210,516	79,096	50,392
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	231,491	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 382, 395, 398	Other Resources	-	-	13,850	-
Total Other Increases in Fund Resources:		231,491	-	13,850	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	3,229,480	15,581	504,737	90,445
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	75,000	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
581, 582	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		3,229,480	90,581	504,737	90,445
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(22,701)</b>	<b>119,935</b>	<b>(411,791)</b>	<b>(40,053)</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	-	-	-	-
5088000	Unreserved	36	1,110,454	863,280	340,063
<b>Total Ending Cash and Investments</b>		<b>36</b>	<b>1,110,454</b>	<b>863,280</b>	<b>340,063</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, 2019**

		<b>505</b>
		<b>Unemployment</b>
<b>Beginning Cash and Investments</b>		
30810	Reserved	-
30880	Unreserved	56,809
388 / 588	Net Adjustments	-
<b>Revenues</b>		
310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	20,000
350	Fines and Penalties	-
360	Miscellaneous Revenues	1,040
Total Revenues:		21,040
<b>Expenditures</b>		
510	General Government	23,345
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		23,345
Excess (Deficiency) Revenues over Expenditures:		(2,305)
<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, 382, 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, 582	Other Uses	-
Total Other Decreases in Fund Resources:		-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>(2,305)</b>
<b>Ending Cash and Investments</b>		
5081000	Reserved	-
5088000	Unreserved	54,505
<b>Total Ending Cash and Investments</b>		<b>54,505</b>

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

		<b>Custodial</b>
308	Beginning Cash and Investments	2,589,105
388 & 588	Net Adjustments	-
310-390	Additions	759,005
510-590	Deductions	74,578
	Net Increase (Decrease) in Cash and Investments:	684,427
508	Ending Cash and Investments	3,273,534

*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, 2019**

**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:

---

**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 custodian 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 - \$ 1,214,321

Tax collected on admissions is restricted in use by RCW 35.21.280 and Ordinance 177 for parks and recreation use. For the 2019/2020 budget, the entire ending fund balance was designated towards replacing the City's sports fields.

##### CITY HALL SYSTEM REPLACEMENT – GENERAL FUND - \$43,821

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.

##### CABLE PEG FEES – GENERAL FUND - \$13,690

These funds are restricted by a franchise agreement to be used by the City for educational Government access equipment, including, but not limited to, studio and portable production equipment, editing equipment and program playback equipment, or for renovation or construction of educational Government access facilities.

##### PARK IMPACT FEES – PARK IMPACT FEE FUND - \$1,367,569

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 - \$1,241,392

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 - \$139,294

On August 6, 2019, the voters of King County approved Proposition 1, the Parks, Recreation, Trails and Open Space Levy; a \$0.1832, six-year, inflation adjusted property tax lid lift. This levy is for the purpose of maintaining King County's open space system, parks and recreation access, and trail development and improvement.

#### LODGING TAX – HOTEL/MOTEL TAX FUND - \$117,553

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 - \$6,097,887

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 - \$605,264

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.

### 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 - \$2,021,322

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 - \$6,059,320

In 2015, the City Council designated revenues from sales tax from construction and streamlined sales tax mitigation for capital project expenditures.

#### EQUIPMENT REPLACEMENT - \$340,063

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.

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

#### EQUIPMENT RENTAL FUND - \$863,280

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 - \$54,505

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 2019:

	Transfers From			Total
	General Fund	Capital Project Funds*	Special Revenue** and SWM Funds	
<b>Transfers To</b>				
Capital Street Reserve	\$323,062	\$840,255	\$557,390	\$1,720,707
Debt Service	\$392,254			\$392,254
Development Services				\$0
Facilities Capital Project	\$3,513,338			\$3,513,338
General Fund***		\$343,811		\$343,811
Hotel/Motel Tax				\$0
Parks & Rec. Spec. Rev.	\$244,000		\$150,000	\$394,000
Parks and Rec. CIP	\$36,015	\$34,883	\$217,466	\$288,364
Utility Tax				\$0
Street Fund	\$776,500			\$776,500
Sammamish Bridge	\$101,682	\$54,809	\$75,000	\$231,491
Special Capital Project (REET 2)				\$0
<b>Total</b>	<b>\$5,386,850</b>	<b>\$1,273,758</b>	<b>\$999,857</b>	<b>\$7,660,465</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

\*\*\*Transfers to and from the General Fund to the System Replacement and Strategic Budget Reserve, and from the Surface Water Management 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 2019/2020 biennial budget are shown on the following page.



2019 - 2020 Biennium Final Appropriated Budget vs. Actual

<b>Fund</b>	<b>Ord. 694 Final Appropriated</b>	<b>Actual Expenditures 2019</b>	<b>Variance Budget to Actual</b>
001 General Fund	\$35,910,982	\$13,035,706	\$22,875,276
101 Street Fund	\$2,713,363	\$1,050,056	\$1,663,307
104 Development Services	\$4,507,770	\$1,660,130	\$2,847,640
110 Admission Tax	\$1,300,000	\$150,466	\$1,149,534
111 Parks & Recreation Special Revenue	\$1,554,332	\$606,153	\$948,179
112 System Replacement	\$401,000	\$400,936	\$64
113 Strategic Budget Reserve	\$0	\$0	\$0
114 Park Impact Fee	\$841,400	\$217,000	\$624,400
115 Hotel/Motel Tax	\$300,268	\$128,199	\$172,069
116 Traffic Impact Fees	\$2,834,000	\$0	\$2,834,000
118 Utility Tax	\$1,427,000	\$557,390	\$869,610
201 Debt Service	\$787,758	\$392,254	\$395,504
301 Capital Project	\$3,539,000	\$34,883	\$3,504,117
302 Special Capital Project	\$3,893,000	\$895,064	\$2,997,936
303 Capital Street Reserve	\$18,797,488	\$2,314,778	\$16,482,710
354 Parks and Recreation Capital Projects	\$5,074,000	\$288,522	\$4,785,478
358 Facilities Capital Project	\$7,928,000	\$3,514,317	\$4,413,683
361 Sammamish Bridge Replacement	\$3,526,000	\$3,229,480	\$296,520
410 Surface Water Management	\$3,054,628	\$1,014,465	\$2,040,163
412 Surface Water Capital Projects	\$375,000	\$75,000	\$300,000
501 Equipment Rental	\$718,266	\$559,889	\$158,377
503 Equipment Replacement	\$463,280	\$110,502	\$352,778
505 Unemployment Reserve	\$60,000	\$23,345	\$36,655
<b>Total all funds</b>	<b>\$100,006,536</b>	<b>\$30,258,534</b>	<b>\$69,748,001</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 2019/2020 budget (Ordinance 670), and a summary of mid-biennial revisions (Ordinance 694) can be found on the next page.

## Summary of 2019 - 2020 Biennial Budget Amendments

Fund	Ord. 670 Original Budget	Ord. 694 Amended Budget	\$ Change from Original	% Change
001 General Fund	\$35,406,495	\$35,910,982	\$504,487	1%
101 Street Fund	\$2,678,670	\$2,713,363	\$34,693	1%
104 Development Services	\$4,328,170	\$4,507,770	\$179,600	4%
110 Admission Tax	\$1,300,000	\$1,300,000	\$0	0%
111 Parks & Recreation Special Revenue	\$1,442,285	\$1,554,332	\$112,047	8%
112 System Replacement	\$394,000	\$401,000	\$7,000	2%
113 Strategic Budget Reserve	\$0	\$0	\$0	0%
114 Park Impact Fee	\$694,300	\$841,400	\$147,100	21%
115 Hotel/Motel Tax	\$209,200	\$300,268	\$91,068	44%
116 Traffic Impact Fees	\$2,834,000	\$2,834,000	\$0	0%
118 Utility Tax	\$2,607,000	\$1,427,000	(\$1,180,000)	-45%
201 Debt Service	\$787,758	\$787,758	\$0	0%
301 Capital Project	\$2,380,000	\$3,539,000	\$1,159,000	49%
302 Special Capital Project	\$2,821,000	\$3,893,000	\$1,072,000	38%
303 Capital Street Reserve	\$16,408,488	\$18,797,488	\$2,389,000	15%
354 Parks and Recreation Capital Projects	\$4,848,100	\$5,074,000	\$225,900	5%
358 Facilities Capital Project	\$5,850,000	\$7,928,000	\$2,078,000	36%
361 Sammamish Bridge Replacement	\$0	\$3,526,000	\$3,526,000	0%
410 Surface Water Management	\$2,860,269	\$3,054,628	\$194,359	7%
412 Surface Water Capital Projects	\$747,000	\$375,000	(\$372,000)	-50%
501 Equipment Rental	\$548,500	\$718,266	\$169,766	31%
503 Equipment Replacement	\$362,905	\$463,280	\$100,375	28%
505 Unemployment Reserve	\$60,000	\$60,000	\$0	0%
<b>Total all funds</b>	<b>\$89,568,140</b>	<b>\$100,006,535</b>	<b>\$10,438,395</b>	<b>11.7%</b>

### NOTABLE BUDGET ADJUSTMENTS

Below are notable adjustments to the City's 2019/2020 Biennial Budget. Detail about the mid-biennial adjustments, authorized by Ordinance No. 694, can be found on the City's website under the Council Agendas.

#### GENERAL FUND – INCREASE OF \$504,487

During 2019 the City Council authorized the addition of 5.5 full time equivalent (FTE) staff positions, with an estimated cost of \$800,400 for the remainder of the biennium. Other significant increases include higher than anticipated jail costs, developing an American Disabilities Act Transition Plan, and unexpected park maintenance costs.

#### CAPITAL PROJECT FUND – INCREASE OF \$1,159,000

Increases to the Capital Project Fund, a special revenue fund for Real Estate Excise Tax I, are for expenditures that were anticipated during 2018 but will not occur until the 2019/2020 biennium.

#### SPECIAL CAPITAL PROJECT FUND – INCREASE OF \$1,072,000

Increases to the Capital Project Fund, a special revenue fund for Real Estate Excise Tax II, are for expenditures that were anticipated during 2018 but will not occur until the 2019/2020 biennium.

#### CAPITAL STREET RESERVE – INCREASE OF \$2,389,000

This increase to the budget was for carryover from expenditures anticipated in the 2017/2018 biennium that won't occur until the 2019/2020 biennium. Costs that were delayed include \$541,000 for the NE 171st Street Urban Parkway Project, and \$777,000 for the NE North Wood Way project. A total cost of \$1.6 million was also added to the CIP by two new overlay projects. In addition, several projects have been deferred to 2021 or beyond, decreasing the budget by \$1.6 million.

#### FACILITIES CAPITAL PROJECT FUND – INCREASE OF \$2,078,000

Both the Civic Campus project and the City Hall Improvement project require additional funding to be completed. Civic Campus required a budget increase of \$2.05 million.

#### SAMMAMISH BRIDGE REPLACEMENT FUND – INCREASE OF \$3,526,000

This increase to the budget for the Sammamish Bridge Replacement Fund was from expenditures expected to occur at the end of the 2017/2018 biennium that didn't occur until 2019.

### 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.

The City's deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from:

Office of the State Treasurer  
PO Box 40200  
Olympia, Washington 98504-0200

Also available online at [www.tre.wa.gov](http://www.tre.wa.gov).

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party.

Investments are reported at original cost. Deposits and investments by type at December 31, 2019 are as shown below:

Type of Investment	City's Own Deposits and Investments	Investment Held by City as an Agent	Total
Local Government Investment Pool	\$ 11,848,879	\$ 3,273,534	\$ 15,122,413
Corporate Bonds	\$ 1,999,170		\$ 1,999,170
Municipal Bonds	\$ 1,000,000		\$ 1,000,000
Government Agency Securities	\$ 9,078,559		\$ 9,078,559
U.S. Obligations	\$ 13,091,096		\$ 13,091,096
U.S. Treasury Notes & Bonds	\$ 8,884,258		\$ 8,884,258
US Bank Escrow Account	\$ 3,447,541		\$ 3,447,541
Washington Federal Public Fund Account	\$ 1,095,653	\$ -	\$ 1,095,653
Washington Federal Checking ( <i>non-interest bearing</i> )	\$ 363,556		\$ 363,556
<b>Total</b>	<b>\$ 50,808,711</b>	<b>\$ 3,273,534</b>	<b>\$ 54,082,245</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 2019 was \$0.82737 per \$1,000 on an assessed valuation of \$4,173,910,805 for a total regular levy of \$3,446,676

##### 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, 2019.

As of December 31, 2019, the City had \$384,853 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	384,853	10,651	395,504
<b>Total</b>	<b>\$ 384,853</b>	<b>\$ 10,651</b>	<b>\$ 395,504</b>

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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, 2019 (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	\$ 167,537	0.023365%	\$898,467
PERS 2/3	\$ 229,075	0.028048%	\$272,441

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 2019 were \$199,812, 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, 2019, was \$3,447,608.

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

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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, 2019, 261 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 2019, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, 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 Trust 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 AWC Trust 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 AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust 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 AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. 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 2019 was \$15,466 or 2.831 percent of the Coalition's \$546,401 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

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## COVID-19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The pandemic has and will have a significant financial impact on the City. The City's largest revenue source for the General Fund is sales taxes and of those taxes the sectors that are the largest contributors are Retail Trade and Food Services & Accommodations. The City is expecting a 30% to 40% decrease in sales tax revenues in the second half of 2020. Other revenues impacted are sport fields rentals. The City issued \$56,000 in refunds due to closing the fields. The impacts of COVID 19 are expected to put the economy into a recession that will likely have anywhere from a one to three years negative impact on sales taxes and development. Overall the total financial challenges are still unknown and will likely remain unpredictable until some resolution to the pandemic is found. However, the City has a healthy financial reserve to tap into, should it become necessary to do so. The City has also identified \$950,000 in appropriations that it will either defer or cut from the 2019/2020 budget. These cuts are not expected to have any impact on the City's current level of service.

The length of time these measures will be in place, and the full extent of the financial impact on the City is unknown at this time.

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## CONSTRUCTION COMMITMENTS

The City has active construction projects as of December 31, 2019. Significant projects (those with over \$1 million remaining on the construction contract at year end) include:

- Woodinville Civic Campus

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

Project	Spent to Date	Remaining Commitment
Woodinville Civic Campus	\$2,344,247	\$3,447,541

Since January 1<sup>st</sup>, 2020 there have been two amendments to this contract increasing the total commitment from \$5.7 million to \$5.9 million.

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## FIDUCIARY ACTIVITIES – GASB 84

Due to difficulties presented by the COVID-19 pandemic, accounting staff changes in early 2020, and the implementation of a new accounting system in 2019, the City has chosen to delay implementation of GASB 84 Fiduciary Activities for the 2019 fiscal year.

**City of Woodinville  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<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	752,725	-	367,872	384,853
<b>Total General Obligation Debt/Liabilities:</b>			<b>752,725</b>	<b>-</b>	<b>367,872</b>	<b>384,853</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		274,641	284,549	236,463	322,727
264.30	Pension Liabilities		1,461,746	-	290,837	1,170,909
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,736,387</b>	<b>284,549</b>	<b>527,300</b>	<b>1,493,636</b>
<b>Total Liabilities:</b>			<b>2,489,112</b>	<b>284,549</b>	<b>895,172</b>	<b>1,878,489</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	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>